

CITY OF NORFOLK, VIRGINIA

\$5,000,000

**General Obligation Capital Improvement
Bonds, Series 2010E
(Tax-Exempt-Recovery Zone
Facility Bonds)**

\$5,000,000

**General Obligation Capital Improvement
Bonds, Series 2010F
(Taxable-Recovery Zone
Economic Development Bonds)**

Dated: Date of delivery

2010E Bonds Due: March 1, as shown on the inside front cover
2010F Bonds Due: March 1, as shown on the inside front cover

The City of Norfolk, Virginia (the "City") prepared this Official Statement to provide information on the 2010E Bonds and the 2010F Bonds (collectively, the "Bonds"). This cover page presents a summary of selected information for your convenience and does not provide a complete description of the Bonds. To make an informed decision regarding the Bonds, this Official Statement should be read in its entirety.

Tax Exemption/Matters

In the opinion of Bond Counsel, under current law and assuming the compliance with certain covenants by and the accuracy of certain representations and certifications of the City and other persons and entities described in the section herein "TAX EXEMPTION – 2010E BONDS", interest on the 2010E Bonds (a) is excludable from the gross income of the owners of the 2010E Bonds for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (b) is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Bond Counsel is further of the opinion that interest on the 2010E Bonds is excluded from the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed thereon.

In the opinion of Bond Counsel, under current law, interest on the 2010F Bonds is includable in gross income for federal income tax purposes.

Bond Counsel is further of the opinion that interest on the Bonds is excludable from gross income for purposes of income taxation by the Commonwealth of Virginia (the "Commonwealth").

Bond Counsel expresses no opinion regarding any other tax consequence related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

See the sections herein "TAX EXEMPTION – 2010E BONDS" and "TAX MATTERS – 2010F BONDS," respectively, regarding other tax considerations.

Security

The Bonds are general obligations of the City. See the section herein "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS."

Redemption

See inside front cover.

Authorization

Ordinance Nos. 43,686 and 43,729, adopted by the City Council of the City on December 8, 2009 and February 9, 2010, respectively.

Purpose

The City will use these proceeds to (i) finance capital projects and (ii) pay the underwriter's and original issue discount(s), as appropriate, and costs of issuance of the Bonds. See the section herein "APPLICATION OF THE PROCEEDS OF THE BONDS."

Interest Payment Dates

Interest on the Bonds will be payable semi-annually on September 1 and March 1, commencing September 1, 2010.

Registration

Book-Entry-Only; The Depository Trust Company. See the section herein "BOOK-ENTRY-ONLY SYSTEM."

Closing/Delivery Date

On or about February 25, 2010.

Bond Counsel

McGuireWoods LLP, Richmond, Virginia.

Financial Advisor

Public Financial Management, Inc., Arlington, Virginia.

Registrar/Paying Agent

Director of Finance of the City.

Issuer Contact

Director of Finance of the City. (757) 664-4346.

**BB&T CAPITAL MARKETS,
a division of Scott & Stringfellow, Inc.**

Dated: February 10, 2010

CITY OF NORFOLK, VIRGINIA

\$5,000,000

General Obligation Capital Improvement Bonds, Series 2010E (Tax-Exempt-Recovery Zone Facility Bonds)

(Base CUSIP Number 655867)

Maturities, Amounts, Interest Rates, Yields and Prices

Year of Maturity (March 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP Suffix
2012	\$250,000	2.000%	0.710%	102.578%	JP5
2013	250,000	2.000	0.950	103.115	JQ3
2014	250,000	2.000	1.250	102.929	JR1
2015	250,000	2.000	1.640	101.726	JS9
2016	250,000	2.500	2.070	102.420	JT7
2017	250,000	2.500	2.380	100.771	JU4
2018	250,000	3.000	2.650	102.512	JV2
2019	250,000	3.000	2.850	101.067*	JW0
2020	250,000	3.000	3.020	99.827	JX8
2021	250,000	3.500	3.130	102.604*	JY6
2022	250,000	4.000	3.220	105.472*	JZ3
2023	250,000	4.000	3.310	104.823*	KA6
2024	250,000	4.000	3.400	104.178*	KB4
2025	250,000	4.000	3.490	103.539*	KC2
2026	250,000	4.000	3.580	102.903*	KD0
2027	250,000	4.000	3.670	102.273*	KE8
2028	250,000	4.000	3.760	101.647*	KF5
2029	250,000	4.000	3.850	101.025*	KG3
2030	250,000	4.000	3.930	100.476*	KH1
2031	250,000	4.000	4.010	99.858	KJ7

*Priced to the first optional redemption date of March 1, 2018.

Redemption Provisions

The 2010E Bonds maturing on or before March 1, 2018, are not subject to optional redemption prior to maturity. The 2010E Bonds maturing after March 1, 2018, are subject to optional redemption prior to their respective maturities on or after March 1, 2018, at the option of the City, in whole or in part (in increments of \$5,000) at any time, at par plus the interest accrued on the principal amount to be redeemed to the date fixed for redemption.

CITY OF NORFOLK, VIRGINIA

\$5,000,000

**General Obligation Capital Improvement Bonds,
Series 2010F (Taxable-Recovery Zone Economic Development Bonds)**

(Base CUSIP Number 655867)

Maturities, Amounts, Interest Rates, Yields and Prices

Year of Maturity (March 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP Suffix
2012	\$250,000	1.300%	1.300%	100.000%	KK4
2013	250,000	1.850	1.850	100.000	KL2
2014	250,000	2.500	2.500	100.000	KM0
2015	250,000	2.900	2.900	100.000	KN8
2016	250,000	3.400	3.400	100.000	KP3
2017	250,000	3.750	3.750	100.000	KQ1
2018	250,000	4.000	4.000	100.000	KR9
2019	250,000	4.350	4.350	100.000	KS7
2020	250,000	4.400	4.400	100.000	KT5
2021	250,000	4.500	4.500	100.000	KU2
2022	250,000	4.650	4.650	100.000	KV0
2023	250,000	4.800	4.800	100.000	KW8
2024	250,000	4.950	4.950	100.000	KX6
2025	250,000	5.050	5.050	100.000	KY4

\$1,500,000 5.600% Term Bond Due March 1, 2031, Priced at 100.000 to Yield 5.600% CUSIP Suffix: KZ1

Redemption Provisions

The 2010F Bonds are subject to mandatory, optional and extraordinary optional redemption prior to their respective maturities as described herein in the section herein "DESCRIPTION OF THE BONDS – Redemption Provisions."

CITY OF NORFOLK, VIRGINIA

CITY COUNCIL

Paul D. Fraim, Mayor
Anthony L. Burfoot, Vice-Mayor

Daun S. Hester
Paul R. Riddick
Dr. Theresa W. Whibley

Donald L. Williams
Barclay C. Winn
W. Randy Wright

MUNICIPAL OFFICIALS

Regina V.K. Williams, City Manager
Darrell V. Hill, Director of Finance
Bernard A. Pishko, City Attorney

BOND COUNSEL

McGuireWoods LLP
Richmond, Virginia

FINANCIAL ADVISOR

Public Financial Management, Inc.
Arlington, Virginia

THE BONDS ARE EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE BONDS ARE ALSO EXEMPT FROM REGISTRATION UNDER THE SECURITIES LAWS OF THE COMMONWEALTH OF VIRGINIA.

NO DEALER, BROKER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED BY THE CITY TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE CITY. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE AN OFFER, SOLICITATION OR SALE. THIS OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT OR AGREEMENT BETWEEN THE CITY AND THE PURCHASERS OR OWNERS OF ANY OF THE BONDS. THE INFORMATION AND EXPRESSIONS OF OPINION IN THIS OFFICIAL STATEMENT ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE UNDER IT WILL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE DATE OF THIS OFFICIAL STATEMENT.

All quotations from, and summaries and explanations of, provisions of law and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implications that there has been no change in the affairs of the City since the respective dates as of which information is given herein.

No dealer, broker, salesman or any other person has been authorized by the City or the successful bidders to give any information or to make any representations with respect to the City or the Bonds issued thereby, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City or the successful bidders.

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OFFICIAL STATEMENT
Relating to the Issuance of
CITY OF NORFOLK, VIRGINIA

\$5,000,000
General Obligation Capital Improvement
Bonds, Series 2010E
(Tax-Exempt-Recovery Zone
Facility Bonds)

\$5,000,000
General Obligation Capital Improvement
Bonds, Series 2010F
(Taxable-Recovery Zone
Economic Development Bonds)

PART I
THE BONDS

The purpose of this Official Statement, including the financial information contained in Appendix A attached hereto, is to furnish information in connection with the sale by the City of Norfolk, Virginia (the "City") of its \$5,000,000 General Obligation Capital Improvement Bonds, Series 2010E (Tax-Exempt-Recovery Zone Facility Bonds) (the "2010E Bonds") and its \$5,000,000 General Obligation Capital Improvement Bonds, Series 2010F (Taxable-Recovery Zone Economic Development Bonds) (the "2010F Bonds" and, together with the 2010E Bonds, the "Bonds").

The Bonds will be general obligations of the City to the payment of which the full faith and credit of the City are pledged. This Official Statement has been authorized by the City for use in connection with the sale of the Bonds.

The City has undertaken in the Ordinance, as hereinafter defined, to comply with the provisions of Rule 15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission (the "SEC") and as in effect on the date hereof, by providing annual financial information and material event notices required by the Rule. See Appendix C, "FORMS OF CONTINUING DISCLOSURE AGREEMENTS."

All financial and other information presented in this Official Statement has been provided by the City from its records except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information, and is not intended, unless specifically stated, to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by such financial and other information, will necessarily continue or be repeated in the future.

This Official Statement should be considered in its entirety, and no one subject discussed should be considered less important than any other by reason of its location in the text. Reference should be made to laws, reports or other documents referred to in this Official Statement for more complete information regarding their contents.

DESCRIPTION OF THE BONDS

General

The Bonds shall be dated the date of delivery, and shall be payable in annual installments, subject to prior redemption, as applicable, in the principal amounts and at the rates set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable semi-annually on September 1 and March 1, commencing September 1, 2010.

2010F Bonds Issued as Recovery Zone Economic Development Bonds

Designation. The 2010F Bonds are expected to be issued as Recovery Zone Economic Development Bonds under Section 1400U-2 of the Internal Revenue Code of 1986, as amended (the "Code"), which was added by the provisions of the American Recovery and Reinvestment Act of 2009 ("ARRA"). A bond is a "Recovery Zone Economic Development Bond" under Section 1400U-2 of the Code if it meets certain requirements of the Code and the related Regulations of the United States Department of the Treasury (the "Treasury") and the issuer has made an irrevocable election to have the special rule for "qualified bonds" apply. Interest on Recovery Zone Economic Development Bonds is includable in gross income for purposes of federal income taxation, and owners of Recovery Zone Economic Development Bonds will not receive any tax credits as a result of ownership of such Recovery Zone Economic Development Bonds.

Interest Subsidy Payments. Section 1400U-2 of the Code authorizes an issuer of a Recovery Zone Economic Development Bond or any person who makes interest payments in respect of a Recovery Zone Economic Development Bond to receive a refundable credit under Section 6431 of the Code (the "Interest Subsidy Payment"). Section 6431(b) requires the Secretary of the Treasury to pay (contemporaneously with each interest payment date under a Recovery Zone Economic Development Bond) to the issuer of such bond 45% of the interest payable under such bond on such date. The Interest Subsidy Payments to be received by the City are not directly pledged as security for or a source of payment of the principal of or premium, if any, or interest on the 2010F Bonds.

Redemption Provisions

Optional Redemption of 2010E Bonds. The 2010E Bonds maturing on or before March 1, 2018, are not subject to optional redemption prior to maturity. The 2010E Bonds maturing after March 1, 2018, are subject to redemption prior to their respective maturities on or after March 1, 2018, at the option of the City, in whole or in part (in increments of \$5,000) at any time, at par plus the interest accrued on the principal amount to be redeemed to the date fixed for redemption.

Mandatory Sinking Fund Redemption of Series 2010F Bonds. The Series 2010F Bonds maturing on March 1, 2031 are subject to mandatory redemption in part prior to maturity by the City at a redemption price equal to 100% of the principal amount redeemed, plus interest accrued to the date fixed for redemption, without premium, in the amounts and on the dates as follows:

Redemption Date (March 1)	Principal Amount
2026	\$250,000
2027	250,000
2028	250,000
2029	250,000
2030	250,000
2031*	250,000

*Final Maturity

"Make-Whole" Optional Redemption of 2010F Bonds. The 2010F Bonds are subject to redemption prior to their respective maturities at the option of the City, in whole or in part (in \$5,000 increments) on any date, at the Make-Whole Redemption Price. The "Make-Whole Redemption Price" is the greater of:

- (1) 100% of the principal amount of the 2010F Bonds to be redeemed; and
- (2) the sum of the present values of the remaining scheduled payments of principal and interest to the maturity date of the 2010F Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date fixed for the redemption of the 2010F Bonds, discounted to such date on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at a rate equal to the Treasury Rate (defined below), plus 25 basis points;

plus, in each case, accrued interest on the 2010F Bonds to be redeemed to the date fixed for redemption.

"Treasury Rate" means, with respect to any date fixed for the redemption of a particular 2010F Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue (defined below), assuming that the Comparable Treasury Issue is purchased on the date fixed for redemption at a price equal to the Comparable Treasury Price (defined below), as calculated by the Designated Investment Banker (defined below).

"Comparable Treasury Issue" means, with respect to any date fixed for redemption of a particular 2010F Bond, the United States Treasury security or securities selected by the Designated Investment Banker that has an actual or interpolated maturity comparable to the remaining average life of the 2010F Bond to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the 2010F Bonds to be redeemed.

"Comparable Treasury Price" means, with respect to any date fixed for redemption of a particular 2010F Bond, (a) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations (defined below), the average of such quotations for such date, after excluding the highest and

lowest Reference Treasury Dealer Quotations, or (b) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

"Designated Investment Banker" means one of the Reference Treasury Dealers appointed by the City.

"Reference Treasury Dealer" means each of the four firms, specified by the City from time to time, that are primary United States government securities dealers in the City of New York (each a "Primary Treasury Dealer"); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the City will substitute another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any date fixed for redemption of a particular 2010F Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 P.M., New York City time, on the third Business Day preceding such date.

Extraordinary Optional Redemption of 2010F Bonds for Extraordinary Recovery Zone Economic Development Bond Event. The 2010F Bonds are subject to redemption prior to their respective maturities at the option of the City, in whole or in part, on any date after the occurrence of an "Extraordinary Recovery Zone Economic Development Bond Event," as hereinafter defined, at a redemption price (the "Extraordinary Optional Redemption Price") equal to the greater of:

- (1) 100% of the principal amount of the 2010F Bonds to be redeemed; and
- (2) the sum of the present values of the remaining scheduled payments of principal and interest to the maturity date of the 2010F Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date fixed for the redemption of the 2010F Bonds, discounted to such date on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at a rate equal to the Treasury Rate (defined below), plus 100 basis points;

plus, in each case, accrued interest on the 2010F Bonds to be redeemed to the date fixed for redemption.

An "Extraordinary Recovery Zone Economic Development Bond Event" will have occurred if a material adverse change has occurred to Sections 1400U-2, 54AA, or 6431 of the Internal Revenue Code of 1986, as amended (as such Sections were added by Sections 1401 and 1531 of the ARRA pertaining to "Recovery Zone Economic Development Bonds") pursuant to which the City's 45% cash subsidy payment from the United States Treasury is reduced or eliminated.

For purposes of determining the Extraordinary Optional Redemption Price, "Treasury Rate" shall have the meaning described above under the caption "'Make-Whole' Optional Redemption of 2010F Bonds."

Determination of Certain Redemption Prices. Any Make-Whole Redemption Price or Extraordinary Optional Redemption Price of 2010F Bonds to be redeemed pursuant to the "make-whole" and extraordinary optional redemption provisions described above will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City to calculate such redemption price. The City may conclusively rely on the determination of such redemption price by such

independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

Manner of Redemption. If less than all of the Bonds are called for redemption, the maturities of such Bonds to be redeemed shall be selected by the Director of Finance of the City in such manner as he or she in his or her discretion may determine. So long as a book-entry system is used for determining beneficial ownership of the Bonds, if less than all of the Bonds within a maturity are to be redeemed, The Depository Trust Company, New York, New York ("DTC") and its participants shall determine which of the Bonds within a maturity are to be redeemed.

Any notice of optional redemption of the Bonds may state that it is conditioned upon there being available on the date fixed for redemption an amount of money sufficient to pay the redemption price plus interest accrued and unpaid to such date, and any conditional notice so given may be rescinded at any time before the payment of the redemption price of any such condition so specified is not satisfied. If a redemption does not occur after a conditional notice is given due to an insufficient amount of funds on deposit by the City, the corresponding notice of redemption shall be deemed to be revoked.

Notice of redemption shall be given by certified or registered mail to DTC or its nominee as the registered owner of the Bonds. Such notice shall be mailed not more than 60 days nor less than 30 days before the date fixed for redemption. The City will not be responsible for mailing notices of redemption to the Beneficial Owners, as hereinafter defined, of the Bonds.

Selection of 2010F Bonds to be Redeemed. Any redemption of less than all of the 2010F Bonds of a maturity will be allocated among the registered owners of 2010F Bonds of such maturity as nearly as practicable in proportion to the principal amounts of 2010F Bonds of such maturity owned by each registered owner, subject to the authorized denominations applicable to the Bonds of such maturity. This will be calculated based on the formula; (principal of such maturity to be redeemed) x (principal amount of such maturity owned by such owner) / (principal amount of such maturity outstanding). The City can provide no assurance, however, that DTC, the DTC Participants or any other intermediaries will allocate redemptions among Beneficial Owners on such a proportional basis.

Waiver of Defeasance Rights with Respect to 2010F Bonds

The City will not defease or permit a defeasance of the 2010F Bonds unless it shall have received an opinion from nationally-recognized bond counsel to the effect that (i) the holders of the 2010F Bonds being defeased will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance and (ii) the defeasance will not otherwise alter those holders' U.S. federal income tax treatment of principal and interest payments on the 2010F Bonds being defeased. See the section herein "TAX MATTERS – 2010F BONDS – Defeasance."

BOOK-ENTRY-ONLY SYSTEM

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payments of principal of and interest on the Bonds to DTC, its nominee, Direct Participants, as hereinafter defined, or Beneficial Owners, as hereinafter defined, confirmation and transfer of beneficial ownership interests in the Bonds and other bond-related transactions by and between DTC, the Direct Participants and Beneficial Owners is based solely on information furnished by DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee), or such other name as may

be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of the actual purchaser of each Bond (the "Beneficial Owner") is in turn recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmations from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the identities of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the

Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the bond registrar or paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the City or the bond registrar and paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the bond registrar and paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the bond registrar and paying agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

Neither the City nor the bond registrar and paying agent has any responsibility or obligation to the Direct or Indirect Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Direct or Indirect Participant; (b) the payment by any Direct or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Bonds; (c) the delivery or timeliness of delivery by any Direct or Indirect Participant of any notice to any Beneficial Owner that is required or permitted to be given to Holders; or (d) any other action taken by DTC, or its nominee, Cede & Co., as Holder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in this Official Statement to the Holders of the Bonds or Bondholders mean Cede & Co. and not the Beneficial Owners, and Cede & Co. will be treated as the only Holder of the Bonds.

The City may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Bonds without the consent of Beneficial Owners or Holders.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

AUTHORIZATION AND PURPOSES OF THE BONDS

The Bonds have been authorized and are being issued pursuant to the Public Finance Act of 1991, Chapter 26, Title 15.2 of the Code of Virginia of 1950, as amended (the "Virginia Code"), and Ordinance Nos. 43,686 and 43,729, adopted by the City Council of the City (the "City Council") on December 8, 2009 and February 9, 2010, respectively (collectively, the "Ordinance"). The Ordinance authorized the issuance and sale of up to \$232,204,000 in general obligation bonds, of which \$197,625,000 in bonds has been issued.

Proceeds of the Bonds will be used to finance capital projects as set forth in the section herein "APPLICATION OF PROCEEDS OF BONDS" and to pay underwriter's and original issue discount(s), as appropriate, and costs of issuance of the Bonds.

APPLICATION OF PROCEEDS OF BONDS

The following tables set forth the anticipated application of the proceeds of the Bonds for the purposes described above:

	<u>2010E Bonds</u>	<u>2010F Bonds</u>	<u>Total Issuance</u>
Sources of Proceeds:			
Par Amount of Bonds	\$5,000,000.00	\$5,000,000.00	\$10,000,000.00
Plus: Net Original Issue Premium	114,357.50	—	114,357.50
Total:	\$5,114,357.50	\$5,000,000.00	\$10,114,357.50
Uses of Proceeds:			
General Capital Fund	—	\$4,926,250.00	\$ 4,926,250.00
Parking Facilities Fund	\$5,025,732.50	—	5,025,732.50
Issuance Expenses ¹	88,625.00	73,750.00	162,375.00
Total:	\$5,114,357.50	\$5,000,000.00	\$10,114,357.50

¹ Includes underwriter's discount, legal fees and other costs of issuance.

SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS

General

The Bonds are general obligations of the City and the City's full faith and credit are irrevocably pledged to the payment of principal of, premium, if any, and interest on the Bonds. While the Bonds remain outstanding and unpaid, the City Council is authorized and required to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax

upon all taxable property within the City, over and above all other taxes authorized or permitted by law, and without limitation as to rate or amount, sufficient to pay when due the principal of, and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

The City has never defaulted in the payment of either principal of, or interest on, any indebtedness.

Bondholders' Remedies in Event of Default

Section 15.2-2659 of the Virginia Code provides that upon affidavit of any owner, or any paying agent therefor, of a general obligation bond in default as to payment of principal or interest, the Governor of the Commonwealth of Virginia (the "Commonwealth") shall conduct a summary investigation. If such default is established to the Governor's satisfaction, the Governor shall order the State Comptroller to withhold all funds appropriated and payable by the Commonwealth to the political subdivision so in default and apply the amount so withheld to payment of the defaulted principal and interest. The State Comptroller advises that to date no order to withhold funds pursuant to Section 15.2-2659, or its predecessors, Sections 15.1-225 and 15.1-227.61, has ever been issued. Although Section 15.2-2659 has not been considered by a Virginia court, the Attorney General of Virginia has opined that appropriated funds may be withheld by the Commonwealth pursuant to one of its predecessor provisions, Section 15.1-225. In the fiscal year ended June 30, 2009, the Commonwealth provided \$93,457,240 to the City which was deposited in the City's General Fund.

Although Virginia law currently does not authorize such action, future legislation may enable the City to file a petition for relief under the United States Bankruptcy Code (the "Bankruptcy Code") if it is insolvent or unable to pay its debts. Bankruptcy proceedings by the City could have adverse effects on the Bondholders, including (1) delay in the enforcement of their remedies, (2) subordination of their claims to claims of those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings or (3) imposition without their consent of a reorganization plan reducing or delaying payment of the Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds, such creditors will have the benefit of their original claim or the "indubitable equivalent." The effect of these and other provisions of the Bankruptcy Code cannot be reliably predicted and may be significantly affected by judicial interpretation.

TAX EXEMPTION – 2010E BONDS

Opinion of Bond Counsel

Bond Counsel's opinion will state that, under current law and assuming the compliance with the Covenants, as hereinafter defined, by and assuming the accuracy of certain representations and certifications of the City and certain other persons and entities, interest on the 2010E Bonds (including any accrued "original issue discount" properly allocable to the owners of the 2010E Bonds), (a) is excludable from the gross income of the owners of the 2010E Bonds for purposes of federal income taxation under Section 103 of the Code, (b) is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (c) is excluded from adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes) under Section 56 of the Code. See Appendix B for the form of the opinion of Bond Counsel with respect to the 2010E Bonds.

Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the 2010E Bonds.

Bond Counsel's opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the proper treatment of interest on the 2010E Bonds for federal income tax purposes. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of the City or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Reliance and Assumptions; Effect of Certain Changes

In delivering its opinion regarding the 2010E Bonds, Bond Counsel is relying upon and assuming the accuracy of certifications and representations of representatives of the City, the underwriter and other public officials as to facts material to the opinion, which Bond Counsel has not independently verified.

In addition, Bond Counsel is assuming continuing compliance with the Covenants, as hereinafter defined, by the City. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the 2010E Bonds in order for interest on the 2010E Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the 2010E Bonds and the use of the property financed or refinanced by the 2010E Bonds, limitations on the source of the payment of and the security for the 2010E Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the 2010E Bonds to the United States Treasury. The tax certificate for the 2010E Bonds (the "Tax Certificate") contains covenants (the "Covenants") under which the City has agreed to comply with such requirements. Failure by the City to comply with the Covenants could cause interest on the 2010E Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the 2010E Bonds from becoming includable in gross income for federal income tax purposes.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the 2010E Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificate, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such document. Bond Counsel expresses no opinion concerning any effect on excludability of interest on the 2010E Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the 2010E Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of such 2010E Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the 2010E Bonds.

Prospective purchasers of the 2010E Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, financial institutions, certain insurance companies, certain corporations (including S

corporations and foreign corporations), certain foreign corporations subject to the "branch profits tax," individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

In addition, prospective purchasers should be aware that the interest paid on, and the proceeds of the sale of, tax-exempt obligations, including the 2010E Bonds, are in many cases required to be reported to the IRS in a manner similar to interest paid on taxable obligations. Additionally, backup withholding may apply to any such payments made to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the IRS of a failure to report all interest and dividends required to be shown on federal income tax returns. The reporting and withholding requirements do not in and of themselves affect the excludability of such interest from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Original Issue Discount

The "original issue discount" ("OID") on any 2010E Bond is the excess of such bond's stated redemption price at maturity (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of such bond. The "issue price" of a bond is the initial offering price to the public at which price a substantial amount of such bonds of the same maturity was sold. The "public" does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. The issue price for each maturity of the 2010E Bonds is expected to be the initial public offering price set forth on the inside front cover page of this Official Statement, but is subject to change based on actual sales. OID on the 2010E Bonds with OID (the "OID Bonds") represents interest that is excludable from gross income for purposes of federal and Virginia income taxation. However, the portion of the OID that is deemed to have accrued to the owner of an OID Bond in each year may be included in determining the alternative minimum tax with respect to the 2010E Bonds and the distribution requirements of certain investment companies and may result in some of the collateral federal income tax consequences mentioned in the preceding subsection. Therefore, owners of OID Bonds should be aware that the accrual of OID in each year may result in alternative minimum tax liability, additional distribution requirements or other collateral federal and Virginia income tax consequences although the owner may not have received cash in such year.

Interest in the form of OID is treated under Section 1288 of the Code as accruing under a constant yield method that takes into account compounding on a semiannual or more frequent basis. If an OID Bond is sold or otherwise disposed of between semiannual compounding dates, then the OID which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

In the case of an original owner of an OID Bond, the amount of OID that is treated as having accrued on such OID Bond is added to the owner's cost basis in determining, for federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued OID will be excluded from the gross income of the recipients for federal income tax purposes. The accrual of OID and its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale or redemption of such OID Bonds and with respect to state and local tax consequences of owning OID Bonds.

Bond Premium

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles. An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Prospective purchasers of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Possible Legislative or Regulatory Action

Legislation and regulations affecting tax-exempt bonds are continually being considered by the United States Congress, the Treasury and the IRS. In addition, the IRS has established an expanded audit and enforcement program for tax-exempt bonds. There can be no assurance that legislation enacted or proposed after the date of issue of the 2010E Bonds or an audit initiated or other enforcement or regulatory action taken by the Treasury or the IRS involving either the 2010E Bonds or other tax-exempt bonds will not have an adverse effect on the tax status or the market price of the 2010E Bonds or on the economic value of the tax-exempt status of the interest thereon.

Opinion of Bond Counsel – Virginia Income Tax Consequences

Bond Counsel's opinion also will state that, under current law, interest on the 2010E Bonds is excludable from the gross income of the owners thereof for purposes of income taxation by the Commonwealth. Bond Counsel will express no opinion regarding (i) other Virginia tax consequences arising with respect to the 2010E Bonds or (ii) any consequences arising with respect to the 2010E Bonds under the tax laws of any state or local jurisdiction other than Virginia. Prospective purchasers of the 2010E Bonds should consult their own tax advisors regarding the tax status of interest on the 2010E Bonds in a particular state or local jurisdiction other than Virginia.

TAX MATTERS – 2010F BONDS

Opinion of Bond Counsel – Income Tax Status of Interest

Bond Counsel's opinion with respect to the 2010F Bonds will state that, based on current law, interest on the 2010F Bonds is includable in the gross income of the owners thereof for purposes of federal income taxation.

Summary

The following is a summary of certain of the United States federal income tax consequences of the ownership of the 2010F Bonds as of the date hereof. Each prospective purchaser of the 2010F Bonds should consult with its own tax advisor regarding the application of United States federal income tax laws, as well as any state, local, foreign or other tax laws, to its particular situation.

This summary is based on the Code, as well as Treasury regulations and administrative and judicial rulings and practice. Legislative, judicial and administrative changes may occur, possibly with retroactive effect, that could alter or modify the continued validity of the statements and conclusions set forth herein. This summary is intended as a general explanatory discussion of the consequences of holding the 2010F Bonds generally and does not purport to furnish information in the level of detail or with the prospective purchaser's specific tax circumstances that would be provided by a prospective purchaser's own tax advisor. For example, it generally is addressed only to original purchasers of the 2010F Bonds that are "U.S. holders," as hereinafter defined, deals only with 2010F Bonds held as capital assets within the meaning of Section 1221 of the Code and does not address tax consequences to owners that may be relevant to investors subject to special rules, such as individuals, trusts, estates, tax-exempt investors, foreign investors, cash method taxpayers, dealers in securities, currencies or commodities, banks, thrifts, insurance companies, electing large partnerships, mutual funds, regulated investment companies, real estate investment trusts, S corporations, persons that hold 2010F Bonds as part of a straddle, hedge, integrated or conversion transaction, and persons whose "functional currency" is not the U.S. dollar. In addition, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in an owner of the 2010F Bonds.

As used herein, a "U.S. holder" is a "U.S. person" that is a beneficial owner of a 2010F Bond. A "non-U.S. investor" is a holder (or beneficial owner) of a 2010F Bond that is not a U. S. person. For these purposes, a "U.S. person" is a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in Treasury regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust's administration and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions.

Tax Status of the 2010F Bonds

The 2010F Bonds will be treated, for federal income tax purposes, as a debt instrument. Accordingly, interest will be included in the income of the owner as it is paid (or, if the owner is an accrual method taxpayer, as it is accrued) as interest.

Owners of the 2010F Bonds that allocate a basis in the 2010F Bonds that is greater than the principal amount of the 2010F Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

If an owner purchases the 2010F Bonds for an amount that is less than the principal amount of the 2010F Bonds, and such difference is not considered to be de minimis, then such discount will represent market discount that ultimately will constitute ordinary income (and not capital gain). Further, absent an election to accrue market discount currently, upon a sale or exchange of a 2010F Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond that does not exceed the accrued market discount for any taxable year, will be deferred.

Sale and Exchange of the 2010F Bonds

Upon a sale or exchange of a 2010F Bond, an owner generally will recognize gain or loss on the 2010F Bond equal to the difference between the amount realized on the sale and its adjusted tax basis in such 2010F Bond. Such gain or loss generally will be capital gain (although any gain attributable to accrued market discount of the 2010F Bond not yet taken into income will be ordinary). The adjusted basis of the owner in a 2010F Bond will (in general) equal its original purchase price increased by any original issue discount or market discount includable in the gross income of the owner with respect to the 2010F Bonds and decreased by any principal payments received on the 2010F Bond. In general, if the 2010F Bond is held for longer than one year, any gain or loss would be long term capital gain or loss, and capital losses are subject to certain limitations.

Defeasance

Defeasance of any 2010F Bond may result in a reissuance thereof, in which event an owner will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the holder's adjusted tax basis in the 2010F Bond. However, the City has waived the right to defease any 2010F Bond as described in the section above "DESCRIPTION OF THE BONDS – Waiver of Defeasance Rights with Respect to 2010F Bonds."

Foreign Investors

Distributions of the 2010F Bonds to a non-U.S. holder that has no connection with the United States other than holding its 2010F Bond generally will be made free of withholding tax, as long as that the non-U.S. holder has complied with certain tax identification and certification requirements.

Circular 230

Under 31 C.F.R. part 10, the regulations governing practice before the IRS (Circular 230), the City and its tax advisors are (or may be) required to inform you that (i) any advice contained herein, including any opinions of counsel referred to herein, is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer; (ii) any such advice is written to support the promotion of marketing of the 2010F Bonds and the transactions described herein (or in such opinion or other advice); and (iii) each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Opinion of Bond Counsel – Virginia Income Tax Consequences

Bond Counsel's opinion also will state that, under current law, interest on the 2010F Bonds is excludable from gross income for purposes of income taxation by the Commonwealth. Bond Counsel will express no opinion regarding (i) other Virginia tax consequences arising with respect to the 2010F Bonds or (ii) any consequences arising with respect to the 2010F Bonds under the tax laws of any state or local jurisdiction other than Virginia. Prospective purchasers of the 2010F Bonds should consult their own tax advisors regarding the tax status of interest on the 2010F Bonds in a particular state or local jurisdiction other than Virginia.

PENDING LITIGATION

The City, in the course of doing business, has been named as defendant in certain personal injury cases and suits for property damage.

These suits are being defended by the City Attorney and associated independent counsel retained by the City Attorney, and it is the opinion of the City Attorney that any possible losses in connection with the above pending litigation will not materially and adversely affect the City's financial condition. The City Attorney is also of the opinion that the above pending litigation will not affect the validity of the Bonds or the ability of the City to levy and collect ad valorem taxes for the payment of the Bonds or the interest thereon. There is no pending litigation with respect to the Bonds or the ability of the City to levy and collect ad valorem taxes for the payment of such Bonds or the premium, if any, or interest thereon.

RATINGS

The City has requested that the Bonds be rated and has furnished certain information to the rating agencies including information that may not be included in this Official Statement. The Bonds have been rated 'A1' by Moody's Investors Service, Inc. ("Moody's"), 'AA' by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") and 'AA' by Fitch Ratings ("Fitch").

The ratings reflect only the views of the respective rating agency. Any explanation of the significance of the ratings may be obtained only from the respective rating agency. Generally, rating agencies base their ratings upon information and materials provided to them and upon investigations, studies and assumptions by the rating agencies. There is no assurance that such ratings will not be withdrawn or revised downward by Moody's, Standard & Poor's or Fitch. Such action may have an adverse effect on the market price of the Bonds. The City has not undertaken any responsibility after the issuance of the Bonds to assure maintenance of the ratings or to oppose any such revision or withdrawal.

FINANCIAL STATEMENTS

The City's audited general purpose financial statements for the fiscal year ended June 30, 2009, are published in Appendix A with accompanying notes. In addition, Appendix A also includes a report of the City's independent accountants.

CERTIFICATES OF CITY OFFICIALS

Concurrently with the delivery of the Bonds, the City will furnish (1) a certificate, dated the date of delivery of the Bonds, signed by the officers who sign the Bonds, stating that, to the best of their knowledge, no litigation is then pending or threatened to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of taxes to pay principal, premium, if any, or interest thereon or in any manner questioning the proceedings and authority under which the Bonds are issued and (2) a certificate dated the date of delivery of the Bonds signed by the appropriate City officials and stating that the descriptions and statements in this Official Statement including the Appendices hereto (except in the section above "PENDING LITIGATION" or relating to DTC) at the time of acceptance of the proposal for the Bonds and at the date of delivery were and are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

The City Attorney will furnish, concurrently with the delivery of the Bonds, a certificate dated the date of delivery of the Bonds stating that no litigation is pending or, to the best of his knowledge, threatened against the City either (1) to restrain or enjoin the issuance or delivery of the Bonds, (2) to question in any manner the authority of the City to issue or the issuance of the Bonds, or the validity of any proceedings authorizing the Bonds or the levy or collection of taxes to pay the Bonds or (3) to question in any manner the boundaries of the City or the title of any officers of the City to their respective offices.

FINANCIAL ADVISOR

The City has retained Public Financial Management, Inc. of Arlington, Virginia ("PFM"), as Financial Advisor in connection with the issuance and sale of the Bonds. Although PFM has assisted in the preparation of this Official Statement, PFM is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. PFM is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

SALE AT COMPETITIVE BIDDING

The 2010E Bonds and the 2010F Bonds were each sold at competitive biddings on February 10, 2010 to BB&T Capital Markets, a division of Scott & Stringfellow, Inc. The underwriter has supplied the information as to the interest rates and offering prices or yields of the Bonds as set forth on the inside cover of this Official Statement. If all of the Bonds are resold to the public at such offering prices or yields, the underwriter has informed the City that it anticipates a total underwriting compensation of \$38,625.00 for the 2010E Bonds and \$23,750.00 for the 2010F Bonds.

CONTINUING DISCLOSURE

The City will execute and deliver to the purchasers of each of the Bonds a Continuing Disclosure Agreement, the forms of which are set forth as Appendix C to this Official Statement, pursuant to which the City will covenant and agree, for the benefit of the Holders of the applicable Bonds to provide certain annual financial information and material event notices required by the Rule. As described in Appendix C, such undertakings require the City to provide only limited information at specified times.

The continuing obligation of the City to provide annual financial information and notices referred to above will terminate with respect to the respective Bonds when such Bonds are no longer outstanding. Any failure by the City to comply with the foregoing will not constitute a default with respect to the applicable Bonds. The City has been in compliance with the requirements of the Rule over the past five years.

MISCELLANEOUS

This Official Statement and any advertisement of the Bonds are not to be construed as a contract with the purchasers of the Bonds. Any statement made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly identified, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The references herein to and summaries of Federal, Commonwealth and City laws, including but not limited to the Constitution of the Commonwealth, the Virginia Code, the City Charter and documents, agreements and court decisions are summaries of certain provisions thereof. Such summaries do not purport to be complete and are qualified in their entirety by reference to such acts, laws, documents, agreements or decisions, copies of which are available for inspection during normal business hours at the office of the City Attorney.

Any questions concerning the content of this Official Statement should be directed to the City's Director of Finance, 810 Union Street, Suite 600 City Hall Building, Norfolk, Virginia 23510, (757) 664-4346. The distribution of this Official Statement has been duly authorized by the City, which has deemed this Official Statement final within the meaning of the Rule.

CITY OF NORFOLK, VIRGINIA

/s/ Regina V.K. Williams

City Manager

/s/ Darrell V. Hill

Director of Finance

PART II CITY INDEBTEDNESS

Limitation on Incurrence of Debt

Pursuant to the Constitution of Virginia (the "Constitution"), the City is authorized to issue bonds and notes secured by a pledge of its full faith and credit and unlimited taxing power. There is no requirement in the Constitution, the Virginia Code or the City Charter that the issuance of general obligation bonds of the City be subject to approval of the electors of the City at referendum. The issuance of general obligation bonds is subject to a limitation of 10% of the assessed value of taxable real property.

At January 31, 2010, the total assessed value of taxable real property in the City was \$19,889,018,751. Based on Virginia's constitutional debt limitation formula, this resulted in a debt limit of \$1,988,901,875. As presented in Table II-1 below, the City's outstanding general obligation bonds and other tax-secured indebtedness as of January 31, 2010 is \$904,911,188 representing 45.50% of the constitutional debt limit.

**Table II-1
City of Norfolk, Virginia
Computation of Legal Debt Margin
January 31, 2010**

Total assessed value of taxable real property	\$ 19,889,018,751
Debt Limit-10 percent of total assessed value	1,988,901,875
Outstanding General Obligation Debt ^{(1) (2) (3) (4) (5) (6)}	904,911,188
Legal Debt Margin	<u>\$ 1,083,990,687</u>
Amount of debt as a percent of debt limit	45.50%

Source: Department of Finance, City of Norfolk, Virginia.

- Notes:
- (1) Defeased bonds are not included in gross debt. Funds to redeem these bonds have been irrevocably deposited with an escrow agent.
 - (2) Reflects only bonded debt and does not include the City's capital lease obligations. See Table II-8 for information about the City's capital lease obligations.
 - (3) The amount of general obligation bonds authorized by ordinance for Capital Improvement Projects, but not yet issued is \$124,801,313.
 - (4) Water Revenue Bonds, Wastewater Revenue Bonds and Parking System Revenue Bonds are excluded from gross debt, since these bonds are payable solely from the revenue of their respective enterprise activities.
 - (5) Includes the remaining balance of \$1,900,000 on a general obligation guaranty of \$3,300,000 of bonds issued by Norfolk Redevelopment and Housing Authority in August 1998. The bonds mature on August 15, 2015.
 - (6) Includes the 20-year \$13,000,000 Section 108 Loan with HUD supported by the Broad Creek Renaissance TIF District, which matures on August 1, 2023.

Debt Outstanding

The tables that follow detail the City's current general obligation debt outstanding. Table II-2 presents the City's gross and net outstanding tax-supported and self-supporting general obligation bonded indebtedness as of January 31, 2010. Table II-3 provides a comparative statement of key debt ratios for the past 10 fiscal years and Table II-4 presents the rate of retirement for all general obligation bonds as of January 31, 2010. Table II-5 presents the recent historical relationship between debt service on bonds paid from actual general governmental expenditures for the past 10 fiscal years. Table II-6 presents the historical relationship of the City's net bonded debt to assessed value of taxable real property and net bonded debt per capita. Table II-7 provides a statement of future annual debt service requirements on the City's existing general obligation bonds.

Table II-2
City of Norfolk, Virginia
General Obligation Debt Statement ^{(1) (2) (3)(4)(7)}

	<u>Projected as of January 31, 2010</u>
A. General Fund Bonds Outstanding Debt ^{(5) (6) (8)}	\$ 778,679,295
B. Enterprise Fund Bonds Outstanding Debt ⁽²⁾	126,231,893
C. Total General Obligation Bond Indebtedness Outstanding Debt (A+B)	<u><u>\$ 904,911,188</u></u>

Source: Department of Finance, City of Norfolk, Virginia.

- Notes:
- (1) The amount of general obligation bonds authorized by ordinance for Capital Improvement Projects, but not yet issued is \$124,801,313.
 - (2) Water Revenue Bonds, Wastewater Revenue Bonds and Parking System Revenue Bonds are excluded from enterprise fund debt, since these bonds are payable solely from the revenue of their respective enterprise activities.
 - (3) Reflects only bonded debt and does not include the City's capital lease obligations. See Table II-8 for information about the City's capital lease obligations.
 - (4) Defeased bonds are not included in gross debt. Funds to redeem these bonds have been irrevocably deposited with an escrow agent.
 - (5) Includes the bonded debt of the Environmental Storm Water Fund and the Towing and Recovery Fund, which are both special revenue funds.
 - (6) Includes the remaining balance of \$1,900,000 on a general obligation guaranty of \$3,300,000 of bonds issued by Norfolk Redevelopment and Housing Authority in August 1998. The bonds mature on August 15, 2015.
 - (7) There are no overlapping or underlying taxing jurisdictions in the City.
 - (8) Includes the 20-year \$13,000,000 Section 108 Loan with HUD supported by the Broad Creek Renaissance TIF District, which matures on August 1, 2023.

Table II-3
City of Norfolk, Virginia
Key Debt Trends
Fiscal Years Ended June 30, 2000 - 2009

Fiscal Year Ended June 30	Gross Bonded Debt (in thousands) ^{(1) (2) (3)}	Gross Bonded Principal Outstanding Per Capita ⁽⁴⁾	Percent of Gross Bonded Debt to Real Property Assessed Value ⁽⁵⁾
2000	\$ 488,352	\$ 2,083	6.03%
2001	468,445	2,002	5.54
2002	460,346	1,971	5.18
2003	460,876	1,970	4.93
2004	486,242	2,067	4.85
2005	512,528	2,180	4.68
2006	475,872	2,032	3.75
2007	576,809	2,444	3.70
2008	695,230	2,959	3.28
2009	736,163	n/a	3.39

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2009.

- Notes:
- (1) There are no overlapping or underlying taxing jurisdictions in the City.
 - (2) Debt payable from Enterprise Fund revenue can be found in Table II-6.
 - (3) The defeased portions of bonds are not included in Gross Bonded Debt. Unamortized premium/discount is not included in Gross Bonded Debt.
 - (4) Gross Bonded Principal Outstanding Per Capita is based on the population figures from Table II-6.
 - (5) Based on the taxable real property assessed value figures from Table III-2.

Table II-4
City of Norfolk, Virginia
Principal Retirement
All General Obligation Bonds
As of January 31, 2010

Maturing By Fiscal Year End	Cumulative Amount Matured	Percent of Principal Retired
2014	\$332,320,498	36.72%
2019	560,487,065	61.94
2024	747,755,869	82.63
2034	897,446,188	99.18
2038	904,911,188	100.00

Source: Department of Finance, City of Norfolk, Virginia.

Table II-5
City of Norfolk, Virginia
Ratio of Annual Debt Service to
Total General Governmental Expenditures
Fiscal Years Ended June 30, 2000 - 2009

Fiscal Year Ended June 30	Total Debt Service ⁽¹⁾	Total General Expenditures ⁽²⁾	Percent of Debt Service To Total General Expenditures
2000	\$ 52,627,625	\$ 558,439,186	9.42%
2001	55,926,535	578,776,772	9.66
2002	53,484,013	431,283,578	12.40
2003	53,258,272	451,633,988	11.79
2004	55,000,425	490,944,275	11.20
2005	58,971,773	490,923,834	12.01
2006	62,750,385	510,999,836	12.28
2007	58,045,527	539,491,519	10.76
2008	64,167,472	574,581,092	11.17
2009	71,794,806	584,533,217	12.28

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2009.

- Notes: (1) Includes debt service on general obligation bonds and capital leases payment supported by the General Fund.
(2) Total general expenditures are presented using the modified accrual basis of accounting.

Table II-6
City of Norfolk, Virginia
Ratio of Net General Bonded Debt to Assessed Value and
Net Bonded Debt Per Capita
Fiscal Years Ended June 30, 2000 - 2009

Fiscal Year Ended June 30	Estimated Population	Assessed Value of Taxable Property (In Thousands)	Gross Bonded Debt	Debt Payable from Enterprise Revenue	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2000	234,403	\$ 9,325,039	\$488,351,541	\$ 128,007,237	\$360,344,303	3.86%	\$1,537
2001	234,000	9,728,084	468,445,246	114,528,097	353,917,150	3.64	1,512
2002	233,600	10,204,892	460,345,861	112,049,824	348,296,037	3.41	1,491
2003	233,900	10,742,268	460,876,270	99,220,319	361,655,951	3.37	1,546
2004	235,200	11,483,300	486,241,680	87,635,923	398,605,757	3.47	1,695
2005	235,071	12,439,004	512,528,634	91,085,187	421,008,476	3.38	1,791
2006	238,832	14,332,318	475,872,461	93,099,000	382,773,000	2.67	1,603
2007	235,757	17,306,281	576,809,191	107,310,741	469,498,450	2.71	1,992
2008	235,092	21,227,708	695,230,000	124,092,000	571,138,000	2.69	2,429
2009	n/a	21,695,781	736,163,200	158,227,193	577,936,007	2.66	n/a

Source: The source of calendar year population estimates for 2001 through 2008 is the Weldon Cooper Center for Public Service, University of Virginia. The source for the population figure for 2000 is the U.S. Census Bureau.

Table II - 7
City of Norfolk, Virginia
Long-Term Debt Service Requirements⁽¹⁾

Fiscal Year Ending June 30	Existing General Obligation Debt Service ^{(2) (3) (4)}			Plus the Bonds			Total Debt ^{(2) (3)(4)}		
	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service
2010	\$ 56,577,813	\$ 29,422,108	\$ 85,999,921	\$ 0	\$ 0	\$ 0	\$ 56,577,813	\$ 29,422,108	\$ 85,999,921
2011 ⁽⁵⁾	135,716,808	37,639,593	173,356,401	0	385,063	385,063	135,716,808	38,024,656	173,741,464
2012	66,227,449	32,940,862	99,168,311	500,000	378,750	878,750	66,727,449	33,319,612	100,047,061
2013	59,022,025	30,037,722	89,059,747	500,000	370,500	870,500	59,522,025	30,408,222	89,930,247
2014	51,581,894	27,721,519	79,303,413	500,000	360,875	860,875	52,081,894	28,082,394	80,164,288
2015	53,219,115	23,062,950	76,282,065	500,000	349,625	849,625	53,719,115	23,412,575	77,131,690
2016	48,067,229	23,358,953	71,426,182	500,000	337,375	837,375	48,567,229	23,696,328	72,263,557
2017	44,213,557	21,237,503	65,451,060	500,000	322,625	822,625	44,713,557	21,560,128	66,273,685
2018	41,757,558	19,332,499	61,090,057	500,000	307,000	807,000	42,257,558	19,639,499	61,897,057
2019	40,874,109	17,460,220	58,334,329	500,000	289,500	789,500	41,374,109	17,749,720	59,123,829
2020	39,828,227	15,651,102	55,479,329	500,000	271,125	771,125	40,328,227	15,922,227	56,250,454
2021	37,898,886	13,858,321	51,757,207	500,000	252,625	752,625	38,398,886	14,110,946	52,509,832
2022	37,223,269	12,174,595	49,397,864	500,000	232,625	732,625	37,723,269	12,407,220	50,130,489
2023	35,844,570	10,513,283	46,357,853	500,000	211,000	711,000	36,344,570	10,724,283	47,068,853
2024	34,598,852	8,919,154	43,518,006	500,000	189,000	689,000	35,098,852	9,108,154	44,207,006
2025	30,204,395	7,453,170	37,657,565	500,000	166,625	666,625	30,704,395	7,619,795	38,324,190
2026	27,270,424	6,075,194	33,345,618	500,000	144,000	644,000	27,770,424	6,219,194	33,989,618
2027	26,202,159	4,815,824	31,017,983	500,000	120,000	620,000	26,702,159	4,935,824	31,637,983
2028	21,183,341	3,687,986	24,871,327	500,000	96,000	596,000	21,683,341	3,783,986	25,467,327
2029	11,220,000	2,629,478	13,849,478	500,000	72,000	572,000	11,720,000	2,701,478	14,421,478
2030	11,365,000	2,012,581	13,377,581	500,000	48,000	548,000	11,865,000	2,060,581	13,925,581
2031	11,505,000	1,431,020	12,936,020	500,000	24,000	524,000	12,005,000	1,455,020	13,460,020
2032	1,495,000	756,820	2,251,820	0	0	0	1,495,000	756,820	2,251,820
2033	4,970,000	522,061	5,492,061	0	0	0	4,970,000	522,061	5,492,061
2034	1,650,000	407,466	2,057,466	0	0	0	1,650,000	407,466	2,057,466
2035	1,730,000	318,409	2,048,409	0	0	0	1,730,000	318,409	2,048,409
2036	1,820,000	225,098	2,045,098	0	0	0	1,820,000	225,098	2,045,098
2037	1,910,000	126,255	2,036,255	0	0	0	1,910,000	126,255	2,036,255
2038	2,005,000	23,474	2,028,474	0	0	0	2,005,000	23,474	2,028,474
Totals	\$937,181,680	\$353,815,221	\$1,290,996,901	\$10,000,000	\$4,928,313	\$14,928,313	\$947,181,680	\$358,743,533	\$1,305,925,213

Source: Department of Finance, City of Norfolk, Virginia.

- Notes:
- (1) Figures may not sum due to rounding.
 - (2) Includes principal payable from the City's enterprise funds.
 - (3) Existing General Obligation Debt Service includes self-supporting principal payable from the City's Environmental Storm Water Fund, and the Towing and Recovery Fund, which are both special revenue funds.
 - (4) Includes estimated net debt service on the City's General Obligation Variable Rate Demand Bonds, Series 2007, assuming an average interest rate of 3.74%.
 - (5) Includes the debt service on the City's \$74,790,000 General Obligation Bond Anticipation Notes, Series 2010C and Series 2010D (the "Notes"). The principal payable in Fiscal Year 2011 reflects the \$74,790,000 principal amount of the Notes payable on their April 1, 2011 final maturity date, even though the City expects to refinance the Notes and amortize the principal over a longer period.

DEBT INCURRED BY OTHER GOVERNMENTAL ENTITIES

Overlapping Debt

The City is autonomous from any county, town or other political subdivision. There are no overlapping or underlying taxing jurisdictions with debt outstanding for which City residents are liable.

Short-Term Borrowing

The City has not borrowed on a short-term basis for working capital purposes in the past five fiscal years.

Capital Lease Obligations

The City leases certain computer, automotive, solid waste automation and other heavy equipment, which are recorded at a cost of \$1,574,389. No additions to Capital Leases were recorded in the fiscal year ended June 30, 2009. The remaining debt service requirements will be retired by funds from the General Fund on the aforementioned contracts as summarized in Table II-8.

**Table II - 8
City of Norfolk
Capital Lease Obligations**

Fiscal Year Ending June 30	Capital Lease Obligations
2010	\$ 1,175,524
2011	398,865
Total minimum lease payments	1,574,389
Less interest	(39,108)
	1,535,281
Less current portion	(1,175,524)
	<u>\$ 359,757</u>

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2009.

Water Revenue Bonds

Since 1993, and for all future financings, capital improvements of the Water Utility System are anticipated to be financed with revenue bonds. The revenue covenant for these revenue bonds requires the City to establish, fix, charge and collect rates, fees and other charges for the use of and for the services furnished by the water system, and will, from time to time and as often as appears necessary, revise such rates, fees and other charges, so that in each fiscal year net revenues are not less than the greater of (i) the sum of 1.1 times senior debt service and 1.0 times subordinated debt service for the fiscal year and (ii) 1.0 times the funding requirements for transfers from the revenue fund to the operating fund, the bond fund, the parity debt service fund, the debt service reserve fund, the subordinate debt service fund and the repair and replacement reserve fund. Fiscal year ended June 30, 2009, results reflect compliance with this requirement.

Parking System Revenue Bonds

Since 1997, capital improvements of the Parking Facilities Fund have been financed with revenue bonds. The revenue covenant for these revenue bonds requires the City to establish, fix, charge and collect rates, fees and other charges for the use of and for the services furnished by the parking facilities, and will, from time to time and as often as appears necessary, revise such rates, fees and other charges, so that in each fiscal year net revenues are not less than the greater of (i) the sum of 1.25 times senior debt service and 1.0 times subordinated debt service for the fiscal year and (ii) 1.0 times the funding requirements for transfers from the revenue fund to the bond fund, the parity debt service fund, the debt service reserve fund, the MacArthur Garage reserve fund, the repair and replacement reserve fund, the surety bond interest fund and the subordinate debt service fund. Fiscal year ended June 30, 2009, results reflect compliance with this requirement.

Debt History

The City has never defaulted in the payment of either principal of, or interest on, any indebtedness.

Capital Improvement Program Budget

The City has a Capital Improvement Program (CIP) Budget which plans for capital type improvements for a five-year period. This CIP Budget is reviewed and revised annually.

The City approved its fiscal year ended June 30, 2010, CIP Budget on May 19, 2009. The total of the CIP Budget for fiscal year ended June 30, 2010, is \$160,393,568. This includes a \$17,888,004 transfer from the fiscal year ended June 30, 2010, Operating Budget, which reduces the City's reliance on bond financing. Five years of CIP activities have been planned in the approved fiscal years ended June 30, 2010 - 2014 CIP. Future year projects in the CIP Budget are considered for planning purposes only and may be modified, at any time, by the City Council. In addition, the CIP Budget is used by the City as a means of identifying short- and long-term needs and as a guide for identifying various funding sources for future CIP Budgets.

The CIP Budget is developed in coordination with and at the same time as other City budgets. It is prepared for submission by the City Manager to the City Council concurrently with the Proposed Operating Budget. Hearings are held as appropriate, and the final CIP Budget is adjusted with a determination being made of the source and amount of funding to be recommended for each item.

The fiscal year ended June 30, 2010, CIP Budget is summarized in Table II-9. Table II-10 summarizes the CIP for fiscal years ended June 30, 2010 - 2014.

Table II-9
City of Norfolk, Virginia
Capital Improvement Program for Fiscal Year Ended June 30, 2010

Uses	Approved Budget FY-2010
General Capital Projects	\$ 121,543,568
Parking Fund Projects	-
Storm Water Fund Projects	3,500,000
Water Fund Projects	18,850,000
Wastewater Fund Projects	16,500,000
Towing and Recovery Fund Projects	-
 Total Capital Program	 <u>\$ 160,393,568</u>
 Appropriation Source	
General Capital Projects	
From Bond Issue	\$ 103,855,564
From Cash	17,688,004
 Parking Fund Projects	
From Bond Issue	-
 Storm Water Fund Projects	
From Bond Issue	3,500,000
 Water Fund Projects	
From Bond Issue	18,650,000
From Water Fund Cash	200,000
 Wastewater Fund Projects	
From Bond Issue	16,500,000
 Towing and Recovery Fund Projects	
From Bond Issue	-
 Total Capital Program	 <u>\$ 160,393,568</u>

Source: Capital Improvement Program Budget, Fiscal Year Ended June 30, 2010.

Table II-10
City of Norfolk, Virginia
Capital Improvement Program
Fiscal Years Ended June 30, 2010 through 2014

Description	FY-2010 Budget	FY-2011 Plan	FY-2012 Plan	FY-2013 Plan	FY-2014 Plan	FY 2010 – 2014 Total
General Capital						
Schools	\$ 5,020,000	\$ 17,700,000	\$ 10,100,000	\$ 2,500,000	\$ 2,500,000	\$ 37,820,000
Non-Schools	116,523,568	115,728,458	64,803,182	36,711,728	30,757,228	364,524,164
Total General Capital	121,543,568	133,428,458	74,903,182	39,211,728	33,257,228	402,344,164
Storm Water Fund	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	17,500,000
Parking Facilities Fund	-	-	-	-	-	-
Wastewater Fund	16,500,000	16,500,000	16,500,000	16,500,000	16,500,000	82,500,000
Water Fund	18,850,000	7,400,000	12,830,000	4,352,000	5,800,000	49,232,000
Towing and Recovery Fund	-	-	-	-	-	-
Total Capital Program	\$ 160,393,568	\$ 160,828,458	\$ 107,733,182	\$ 63,563,728	\$ 59,057,228	\$ 551,576,164

Source Capital Improvement Program Budget, Fiscal Year Ended June 30, 2010.

PART III FINANCIAL INFORMATION

Fiscal Year

The City's fiscal year commences July 1 and closes on June 30.

Reporting Entity

For financial reporting purposes, in accordance with generally accepted accounting principles (GAAP), the City's financial statements include the City of Norfolk (primary government) and its component units.

- The School Board of the City of Norfolk;
- The Employees' Retirement System of the City of Norfolk (ERS); and
- The Norfolk Community Services Board (NCSB).

Complete financial statements of the individual component units can be obtained from their respective administrative offices. Contact information for such administrative offices can be obtained through contacting the office of the Director of Finance of the City.

BASIS OF ACCOUNTING AND ACCOUNTING STRUCTURE

The City's financial statements include the following sections:

Management's Discussion and Analysis (MD&A).

- The MD&A introduces the basic financial statements and provides an analytical overview of the government's financial activities.

Basic Financial Statements. The Basic Financial Statements include:

- Government-wide financial statements, consisting of a statement of net assets and a statement of activities;
- Fund financial statements consisting of a series of statements that focus on information of the government's major governmental, enterprise and fiduciary funds and component units; and
- Notes to the financial statements provide information essential to a user's understanding of the basic financial statements.

Required Supplementary Information ("RSI"). In addition to MD&A, budgetary comparison schedules are presented as RSI along with other types of data as required by the Government Accounting Standard Board ("GASB").

The government-wide financial statements are reported using the economic resources, measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are

levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus and the modified accrual basis of accounting. Under this method, revenue and related assets are recorded when they become both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers revenues, except for grant revenues, to be available if they are collected within 60 days of the end of the fiscal year. Property taxes due and collected within 45 days after year-end are recognized as revenue. Those not collected within 45 days after year-end are reported as deferred revenue when received. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

INDEPENDENT ACCOUNTANTS

Section 99 of the City Charter requires that "*...as soon as practicable after the close of each fiscal year an annual audit shall be made of all the accounts of the city offices...by certified public accountants selected by the council...*" The firm of KPMG LLP served as the City's independent auditors. The audited general purpose financial statements for the fiscal year ended June 30, 2009, are published in Appendix A with accompanying notes.

BUDGETARY PROCESS

The City Charter requires that no less than 60 days before the end of the fiscal year, the City Manager must submit to the City Council a proposed balanced operating budget for the ensuing fiscal year that commences July 1. The Public Schools' proposed budget is approved by the School Board, transmitted to the City Manager for review and then submitted to the City Council for consideration as part of the City's general operating budget. The City Council is required to hold a public hearing on the budget at which time all interested persons have the opportunity to comment.

The financial forecast, the first step in the budget process, is an essential component of the annual process of assessing the City's overall financial condition and looking at its finances in a multi-year context. The primary objective of the financial forecast is to project where current budget decisions lead in terms of future revenue and expenditures and their impact on the City's financial stability. This, therefore, provides the opportunity to proactively evaluate policies with the goal of maximizing opportunities or, in the worst case, minimizing the negative impact of economic downturns.

GENERAL GOVERNMENTAL REVENUE

Overview

General governmental revenue is derived from general property taxes, other local taxes, permits, privilege fees and regulatory licenses, fines and forfeitures, use of money and property, charges for services, recovered costs and non-categorical aid, shared expenses and categorical aid from the Commonwealth. General Fund disbursements include the normal recurring activities of the City, such as police, public works, general government, transfers to the School Operating Fund for local share of costs and to the Debt Service Fund to pay principal and interest on the City's general obligation bonds for other than enterprise fund purposes.

Property Tax Rates, Levies and Collections

An annual ad valorem tax is levied by the City on the assessed value of real property located within the City as of July 1, and on tangible personal property located within the City as of January 1. Real property taxes are the largest single source of tax revenue. Tax rates are applied to the assessed valuation of property.

The ratio of the assessed value of real property to its estimated fair market value is 100% (other than public service properties). The City taxes several categories of personal property, each of which is assessed on a different basis. Machinery and tools are assessed at 100% of original cost; vehicles and boats are assessed at 100% of certain published loan values; and mobile homes are assessed on the same basis as real property.

The City has the power to levy taxes on property located within its boundaries without limitation as to rate or amount for the payment of its obligations. Rates are established by the City Council. The tax rates approved in the fiscal year ended June 30, 2010 Operating Budget, on each \$100 of assessed value, which remain unchanged from the previous fiscal year, are: \$1.50 for recreational vehicles; \$2.40 for airplanes; \$1.11 for real property; \$4.25 for personal property; \$4.25 for machinery and tools; and \$1.11 for mobile homes. The rate on personal recreational boats consists of a decal fee of \$10 or \$25, depending on the length of the boat plus a tax of \$0.50 per \$100 on the assessed value of the boat. The tax rate for commercial boats is \$1.50 per \$100 of the assessed value of the boat and a boat decal is not required. The tax rate for real property located in the City's Business Improvement District is an additional \$0.18 on the real property rate of \$1.11 per \$100 of assessed value.

Real property levies are payable during the year of assessment in four equal installments, on or before September 30, December 5, March 31 and June 5. Personal property, recreational vehicles, machinery and tools, mobile homes, airplanes and boat levies are payable on or before June 5 of the year assessed or thirty days after acquisition. Certain types of personal property such as automobiles, trucks, motorcycles, trailers and recreational vehicles are prorated throughout the year and payable 30 days after acquisition.

In the event any installment of taxes on any of the properties listed above is not paid on or before the due date, penalties and interest are assessed in accordance with the City Code.

The City Council may require the sale of real property in satisfaction of delinquent taxes, pursuant to the provisions of Section 89 of the City Charter.

Other Revenue Sources

The City levies various other local taxes: (1) a 1% local sales tax (collected by the Commonwealth and remitted to the City); (2) a tax on water, electric and gas utility bills; (3) a cigarette tax of 65 cents per packet; (4) property transfer recordation taxes; (5) an automobile license tax; (6) various business license/franchise taxes; (7) a hotel and motel tax of 8% and a \$1 per room, per night surcharge of which 1% is dedicated to tourism and economic development; (8) an admissions tax of 10%; and (9) a restaurant food tax of 6.5%, which includes alcoholic beverages of which 1% is dedicated to tourism and economic development.

Fees, Licenses and Permits – The City requires that licenses or permits be obtained for the performance of certain activities and that fees be paid for services provided by certain City departments.

Revenue from the Commonwealth of Virginia – The City receives payments for highway maintenance, a share of the net profits from the State Alcoholic Beverage Control Board liquor sales, a share of state sales taxes allocated for education and, in addition, reimbursement for a portion of certain shared expenses relating to expenditures for such functions as Sheriff's office, Commissioner of the Revenue, City Treasurer, Clerk of the Circuit Court and Commonwealth's Attorney office. The City also receives categorical aid revenue for such purposes as public assistance, education and local law enforcement.

Other Revenue – The primary sources of other revenue to the General Fund include transfers from the Water Utility and Wastewater Utility Funds, interest on investments and impact aid from the federal government. Tables III-1A and III-1B show the City's General Fund revenue by source for each of the last 10 fiscal years.

Table III-1A
City of Norfolk, Virginia
Total Revenue by Source, Governmental Funds
Fiscal Years Ended June 30, 2000 - 2009
(Amounts in Thousands)

Fiscal Year Ended June 30	General Property Taxes	Other Local Taxes	Permits and Licenses	Fines and Forfeitures	Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter- Governmental	Total
2000	\$152,062	\$119,107	\$2,943	\$1,661	\$10,275	\$18,836	\$13,990	\$12,338	\$133,526	\$464,738
2001	153,366	126,537	2,601	1,684	11,361	18,745	13,681	14,135	122,677	464,787
2002	159,512	127,262	2,700	1,541	11,247	18,312	12,337	10,008	133,332	476,251
2003	168,893	132,847	2,973	1,569	8,791	29,390	24,785	9,556	131,071	509,875
2004	178,361	140,675	3,204	1,627	8,333	31,342	17,339	12,297	160,118	553,296
2005	193,293	150,477	3,542	1,763	10,232	29,129	18,951	14,188	147,045	568,620
2006	211,788	157,616	4,088	1,461	10,498	32,772	33,494	12,667	149,757	614,141
2007	235,399	159,119	4,071	1,605	11,105	37,071	11,691	8,408	156,637	625,106
2008	241,290	162,573	4,055	1,317	10,651	40,070	17,923	8,622	156,862	643,363
2009	252,004	157,926	4,012	1,260	8,333	40,345	12,911	8,952	149,774	635,517

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2009.

Table III-1B
City of Norfolk, Virginia
Other Local Tax Revenues by Source, Governmental Funds
Fiscal Years Ended June 30, 2000 - 2009
(Amounts in Thousands)

Fiscal Year Ended June 30	Sales and Use Taxes	Consumer's Utility Taxes	Business License Taxes	Motor Vehicle Licenses	Cigarette Taxes	Restaurant Food Taxes	Other	Total
2000	\$24,321	\$34,224	\$18,095	\$3,391	\$3,940	\$17,066	\$18,070	\$119,107
2001	25,496	38,988	18,352	3,479	4,122	18,759	17,341	126,537
2002	25,267	37,922	18,644	3,554	4,280	19,288	18,307	127,262
2003	25,854	37,930	18,472	3,462	4,220	21,680	21,229	132,847
2004	27,867	39,231	20,279	3,456	7,639	21,808	20,395	140,675
2005	29,497	39,371	22,015	2,605	6,948	22,550	27,491	150,477
2006	30,652	43,337	24,412	3,576	6,819	27,277	21,543	157,616
2007	32,402	42,586	25,268	3,529	6,957	28,578	19,799	159,119
2008	31,791	46,582	26,343	3,498	7,577	28,758	18,024	162,573
2009	29,484	44,142	27,692	4,005	7,333	28,078	17,192	157,926

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2009.

Table III-2 sets forth the assessed value of all taxable property in the City for the past 10 fiscal years. The total assessed value of all taxable property in the City at June 30, 2009, was approximately \$21.7 billion. The estimated assessed value of tax-exempt properties owned by federal and Commonwealth governments, churches and schools, among others, was approximately \$10.4 billion for fiscal year ended June 30, 2009, and is presented in Table III-3.

Table III-2
City of Norfolk, Virginia
Assessed Valuations and Estimated
Actual Values of Taxable Property
Fiscal Years Ended June 30, 2000 - 2009
(Amount In Thousands)

Fiscal Year Ended June 30	Real Property ⁽¹⁾	Personal Property ⁽¹⁾	Other Property ⁽²⁾	Total Taxable Assessed Value	Estimated Actual Value ⁽³⁾
2000	\$ 8,098,113	\$ 1,023,626	\$ 203,300	\$ 9,325,039	\$ 15,668,692
2001	8,458,281	1,040,929	228,874	9,728,084	16,119,540
2002	8,882,064	1,102,983	219,845	10,204,892	16,794,801
2003	9,356,760	1,085,027	300,481	10,742,268	17,864,127
2004	10,029,639	1,170,117	283,544	11,483,300	19,406,095
2005	10,960,812	1,167,673	310,519	12,439,004	21,576,347
2006	12,691,527	1,324,320	316,471	14,332,318	25,196,622
2007	15,607,512	1,375,798	322,971	17,306,281	27,820,206
2008	18,401,851	2,503,662	322,195	21,227,708	28,427,502
2009	19,395,789	2,031,277	266,709	21,693,775	29,928,632

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2009.

- Notes:
- (1) Real property and personal property includes both general and public service corporations.
 - (2) Other property includes machinery and tools, mobile homes, airplanes and boats.
 - (3) Estimated actual property values are based on data supplied by the City's Commissioner of Revenue and the City Assessor. Property value information does not include property of public service corporations or vacant land.

Table III-3
City of Norfolk, Virginia
Estimated Value of Nontaxable Real Property ⁽¹⁾
Fiscal Years Ended June 30, 2005 - 2009
(Amounts In Thousands)

Fiscal Year Ended June 30	Property Owned By:											
	Federal Government		City of Norfolk		Norfolk Redevelopment and Housing Authority		Commonwealth of Virginia		All Other Organizations ⁽²⁾		Total	
	Assessed Value	Estimated Tax Value	Assessed Value	Estimated Tax Value	Assessed Value	Estimated Tax Value	Assessed Value	Estimated Tax Value	Assessed Value	Estimated Tax Value	Assessed Value	Estimated Tax Value
2005	\$4,138,358	\$57,937	\$1,706,337	\$23,889	\$392,982	\$5,502	\$711,361	\$ 9,957	\$1,350,116	\$18,902	\$8,299,155	\$116,188
2006	4,581,576	61,851	1,718,375	23,198	465,660	6,286	769,584	10,389	1,439,067	19,427	8,974,261	121,153
2007	4,672,997	59,347	1,837,974	23,342	513,373	6,520	814,505	10,344	1,539,360	19,550	9,378,209	119,103
2008	5,001,343	55,515	1,970,451	21,872	546,112	6,062	875,238	9,715	1,651,053	18,327	9,378,209	111,491
2009	5,012,218	55,636	2,111,344	23,436	624,889	6,936	935,283	10,382	1,744,808	19,367	10,428,542	115,757

Sources: Annual Reports of the City Assessor 2005 - 2009.

- Notes: (1) The assessed value was 100% of fair market value. The fiscal year ended June 30, 2009, estimated tax value is at a rate of \$1.11 per \$100 of estimated assessed value.
- (2) All other organizations include religious organizations, charitable organizations, private universities, Virginia Port Authority, Elizabeth River Tunnel Commission, Hampton Roads Sanitation District and Eastern Virginia Medical Authority.

Table III-4 presents the property tax rate per \$100 of assessed value and the equalization ratios used to determine the fair market value of taxable property for the past five fiscal years.

Table III-4
City of Norfolk, Virginia
Tax Rates and Equalization Factors
Fiscal Years Ended June 30, 2005 – 2009

	Fiscal Year Ended June 30				
	2005	2006	2007	2008	2009
Property tax rate per \$100 assessed value:					
Business Improvement District	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18
Personal property	4.00	4.00	4.00	4.25	4.25
Machinery and tools	4.00	4.00	4.00	4.25	4.25
Mobile homes	1.40	1.35	1.27	1.11	1.11
Airplanes	2.40	2.40	2.40	2.40	2.40
Boats (business)	1.50	1.50	1.50	1.50	1.50
Boats (pleasure)	0.01	0.01	0.01	0.50	0.50
Recreational vehicles	1.50	1.50	1.50	1.50	1.50
Disabled veterans	3.00	3.00	3.00	3.00	3.00
Assessed value of real property as a percent of fair market value:					
As determined by the City Assessor	100.00%	100.00%	100.00%	100.00%	100.00%
As determined by the Commonwealth's Department of Taxation ^{(1) (2)}	65.00%	76.00%	76.00%	93.00%	--
Source:	City of Norfolk, Virginia.				
Notes:	<p>(1) The most recent Virginia Assessment/Sales Ratio Study is for 2004.</p> <p>(2) The real property and personal property assessments for public service corporations are based on information furnished to the Commissioner of the Revenue by the State Corporation Commission and the Commonwealth's Department of Taxation for calendar years 2004 through 2008.</p>				

The City has the power to levy taxes on property located within its boundaries for payment of its obligations without limitation as to rate or amount. Rates are established by the City Council. Table III-5 sets forth the City's assessed values and tax levies on real and personal property for each of the past five fiscal years.

Table III-5
City of Norfolk, Virginia
Assessed Valuation and Change in Property Tax Levy
Fiscal Years Ended June 30, 2005 - 2009
(Amounts In Thousands)

Fiscal Year Ended June 30	Assessed Valuation		Property Tax Levy	Percentage Increase in Property Tax Levy
	Real Property	Personal Property & Other		
2005	\$10,960,812	\$1,478,192	\$209,202	9.30%
2006	12,691,527	1,640,791	227,796	8.89
2007	15,607,512	1,698,769	254,703	11.81
2008	18,401,851	2,825,857	258,016	1.30
2009	19,395,789	2,297,986	261,535	1.36

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2009.

Table III-6 sets forth information concerning the City's real and personal property tax collection rate for fiscal years ended June 30, 2000 through 2009.

Table III-6
City of Norfolk, Virginia
Real and Personal Property Tax Levies and Collections ⁽¹⁾
Fiscal Years Ended June 30, 2000 - 2009
(In Thousands)

Fiscal Year Ended June 30	Total Tax Levy	Current Collections	Percent of Current Collections to Tax Levy	Delinquent Collections	Total Collections	Percentage of Total Tax Collections to Tax Levy
2000	\$158,268	\$145,772	92.10%	\$14,865	\$160,637	101.50%
2001	164,289	151,921	92.47	13,501	165,422	100.69
2002	171,755	158,914	92.52	12,883	171,797	100.02
2003	179,220	164,482	91.78	18,724	183,206	102.22
2004	191,397	178,200	93.10	15,821	194,021	101.37
2005	209,202	191,254	91.42	8,549	199,803	95.51
2006	227,796	203,804	89.47	8,526	212,330	93.21
2007	254,703	239,288	93.95	10,097	249,385	97.91
2008	258,016	238,728	92.52	14,905	253,633	98.30
2009	261,535	244,947	93.66	13,647	258,594	98.88

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2009.

Note: (1) Delinquent tax collections are reported in the year collected.

Table III-7 sets forth the City's 10 largest taxpayers and the assessed value of real property owned by each such taxpayer during fiscal year ended June 30, 2009. The aggregate assessed value of the 10 largest taxpayers represented 5.30% of the City's total assessable base at June 30, 2009.

Table III-7
City of Norfolk, Virginia
Ten Principal Real Property Taxpayers ⁽¹⁾
June 30, 2009

Taxpayer	Type of Business	Real Property Assessed Value	Percentage of Total Real Property Assessed Value to Total Assessed Value
Dominion Virginia Power	Public Service Utility	\$ 213,915,347	1.10%
MacArthur Shopping Center LLC (Taubman Co.)	Retail	173,032,800	0.89
Verizon Virginia, Inc.	Public Service Utility	127,474,415	0.66
Norfolk Southern Corporation	Railroad	101,237,252	0.52
Bank of America	Bank	91,022,200	0.47
Ford Motor Company ⁽²⁾	Truck Manufacturer	81,588,900	0.42
Military Circle Ltd. Partnership	Shopping Center	66,464,200	0.34
Cox Virginia Telecom	Public Service Utility	62,969,166	0.32
Dominion Tower Ltd. Partnership	Real Estate	59,223,100	0.31
North Pines Associates		51,557,000	0.27
Total Principal Taxpayers		1,028,484,380	5.30
Total Assessed Value		\$19,397,795,455	

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2009.

Note: (1) Total assessed value of taxable real property including public service corporations at June 30, 2009, was \$19,397,795,455.

(2) The Ford Motor Company, Inc. closed its Norfolk assembly plant in June 2007.

GENERAL FUND EXPENDITURES

Costs of General City Government

The costs of most general government functions are paid from governmental funds. These costs include expenditures for police protection, fire and paramedical services, public health and social services, planning and zoning management, code enforcement, street maintenance, traffic control, parks and cemeteries operation and maintenance, recreation and library services, economic development, refuse disposal and general administrative services. Table III-8 presents the number of positions budgeted for employees (including salaries and related employee benefits such as health insurance and pension contributions).

Table III-8
City of Norfolk, Virginia
Budgeted Positions
Fiscal Years Ended June 30, 2006 - 2010

Fiscal Year Ended June 30	Number of Budgeted Positions ⁽¹⁾
2006	3,969
2007	4,079
2008	4,111
2009	4,115
2010	4,071

Sources: Approved Operating Budgets, Fiscal Years Ended June 30, 2006 through 2010.

Note: (1) Figures shown represent the number of permanent and permanent part-time General Fund positions, exclusive of School Board positions.

Protected Self-Insurance Program

The City is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. On July 11, 1978, the City established a protected Self-Insurance Program Fund, pursuant to an ordinance adopted by the City Council, to cover itself from these risks of losses. The program provides for the payment of claims liabilities, property losses and related expenses covered by a combination of purchased insurance policies and self-insurance plans. The total of insurance premiums, self-insurance claims and related expense payments made during fiscal year ended June 30, 2009 was \$6,739,497.

The City currently reports all these activities as part of the risk management function in the general government section of the General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At June 30, 2009, these liabilities were \$34,507,189 of which \$4,086,109 represents the current portion anticipated to be paid within a year. Estimated liabilities, as determined by an actuary, are reported at their present value, using the expected future investment yield assumption of 5%.

Changes in the City's claims liability amount in the fiscal years ended June 30, 2005 through 2009 are as follows:

Fiscal Year Ended June 30	Unpaid Claims Beginning Balance	Claims Incurred Estimated	Claims Paid	Ending Balance
2005	\$17,020,780	\$5,464,863	\$5,544,508	\$16,941,135
2006	16,941,135	8,248,731	5,267,508	19,922,358
2007	19,922,358	10,659,920	5,515,618	25,066,660
2008	25,066,660	12,313,224	12,305,870	25,059,306
2009	25,059,306	14,134,010	4,686,127	34,507,189

Retirement Plan

The City has a single-employer noncontributory, defined benefit retirement plan that covers substantially all employees of the City, excluding School Board and Constitutional Officers employees who are covered by the Virginia Retirement System. The City's contribution requirements are designed

to fund the plan's current service cost. Actuarially required contributions are appropriated each year by City Council.

Total annual pension contributions for all City employees over the last three fiscal years to the City's noncontributory retirement are presented in Table III-9.

Table III-9
City of Norfolk, Virginia
Schedule of Annual Pension Contributions
Fiscal Years Ended June 30, 2007 - 2009 ⁽¹⁾

Fiscal Year Ended June 30	Annual Pension Contribution
2007	\$ 25,135,944
2008	25,667,556
2009	28,278,984

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2009.

Note: (1) Actuarially required Pension Contributions are funded and paid in the fiscal year following the contribution determination.

Other Post-Employment Benefits

In June 2004, the GASB issued Statement No. 45 ("GASB 45"), Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, which the City was required to implement with respect to its financial statements for fiscal year ended June 30, 2008. GASB 45 establishes new standards as to how the City must account for and report the costs of its Other Post-Employment Benefits (OPEB) – health insurance, life insurance, and other non-pension benefits provided to its retirees.

GASB 45 requires that the City and Schools recognize the costs of their OPEB during the period of their employee's active employment, while the benefits are being earned, and disclose their unfunded actuarial accrued liability in order to accurately report the total future cost of post-employment benefits and the financial impact on the City. These GASB 45 requirements are very similar to requirements for pension benefits.

The following steps have been taken to date, in preparation for the implementation of GASB 45:

- The City and Schools have completed an actuarial valuation of the benefits;
- The City's Retirement Board of Trustees have agreed to act as an OPEB Board of Trustees to manage the investment function of a formal employee benefit trust, should such a trust be established;
- In fiscal year ended June 30, 2008, the City allocated \$1,898,253 in excess of the FY 2008 existing pay-as-you-go contributions toward addressing the liability; and
- Over time, the City and the Schools plan to gradually increase funding until the annual actuarial required contribution is fully funded.

As of June 30, 2009 the following is projected:

	City	Schools	Total
Actuarial Accrued Liability as of 6/30/2009 ⁽¹⁾	<u>\$44,572,743</u>	<u>\$51,451,816</u>	<u>\$96,024,559</u>
Net OPEB obligation as of June 30, 2008	3,793,000	2,255,000	6,048,000
Actuarial Required Contribution for FY 2009	6,828,406	4,017,740	10,846,146
Estimated Pay Go contribution and Explicit Subsidies	<u>(2,620,369)</u>	<u>(2,456,166)</u>	<u>(5,076,535)</u>
Net OPEB obligation as of June 30, 2009	<u>\$8,001,037</u>	<u>\$3,816,574</u>	<u>\$11,817,611</u>

Source: Actuarial Valuation Report by Cheiron, Inc. measures as of July 1, 2008, for fiscal year ended June 30, 2009.

Note: (1) Estimates as shown assume the City and Schools establish a trust. Estimate for the Schools assumes a pay-as-you-go or "Pay Go" basis for calculating liability and the City assumes a prorated basis for calculating liability. In fiscal year ended June 30, 2008, the City allocated \$1,898,253 in excess of the FY 2008 existing pay-as-you-go contribution toward addressing the liability.

Employee Relations and Collective Bargaining

The Supreme Court of Virginia has ruled that in the absence of legislation, municipalities and school boards in Virginia do not have the authority to enter into collective bargaining agreements.

PUBLISHED FINANCIAL INFORMATION

The City issues and distributes a Comprehensive Annual Financial Report on its financial operations for each fiscal year. The City also publishes annually an Operating Budget and a five-year Capital Improvement Program (CIP) Budget. These documents are available via the internet at www.norfolk.gov. In addition, the City will undertake to provide or cause to be provided certain Annual Financial Information described in the section "CONTINUING DISCLOSURE" to fulfill the requirements of the Rule promulgated by the SEC.

**GENERAL FUND OPERATING BUDGET RESULTS FOR
FISCAL YEAR ENDED JUNE 30, 2009**

On the budgetary basis of accounting, General Fund revenues were \$808,914,918 representing 97.78% of budgeted revenue. General Fund expenditures were \$811,409,404 representing 98.08% of budgeted expenditures. Table III-10 summarizes key financial results.

**Table III-10
City of Norfolk, Virginia
General Fund Operating Budget Summary Results
for the Fiscal Year Ended June 30, 2009**

	Fiscal Year 2009 Final Budget	Fiscal Year 2009 Results	Percent of Budget	Variance Positive (Negative)
Total Revenue and non-revenue receipts	\$827,280,300	\$808,914,918	97.78%	\$(18,365,382)
Total Expenditures	827,280,300	811,409,404	98.08%	(15,870,896)
Revenue greater (less) than expenditures	<u>\$ -0-</u>	<u>\$ (2,494,486)</u>		<u>\$ (2,494,486)</u>

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2009.

General Fund Operating Budget

The Fiscal Year Ended June 30, 2010, General Fund Operating Budget was adopted on May 19, 2009, and totals \$824,914,500 reflecting a 0.3% decrease over the adopted Fiscal Year Ended June 30, 2009, General Fund Operating Budget of \$827,280,300. Real estate tax revenues, the largest general property tax source, are estimated to grow by approximately 2.5% in fiscal year ended June 30, 2010, over the previous year. Revenues from the Commonwealth of Virginia, mostly for education, are anticipated to decrease 1.8% or nearly \$5.0 million. The budget anticipates carrying over \$470,000 of the General Fund balance from fiscal year ended June 30, 2009, to fiscal year ended June 30, 2010, as part of the operating budget. These carry forward funds are dedicated to one-time expenditures.

The budget focuses on targeted priorities including education, public safety and neighborhood revitalization. Major revenue and expenditure categories are summarized in the following tables.

Table III-11
City of Norfolk, Virginia
General Fund Budget
Fiscal Year Ended June 30, 2010

Anticipated Revenue Receipts	Approved Budget	Appropriations For Expenditures	Approved Budget
General Property Taxes	\$256,581,700	Legislative	\$ 4,553,800
Other Local Taxes	156,654,200	Executive	6,390,100
Permits and Fees	4,198,700	Department of Law	3,995,000
Fines and Forfeitures	1,544,000	Constitutional Officers	5,415,100
Use of Money and Property	8,574,300	General Management	32,442,600
Charges for Services	31,829,700	Judicial	47,846,900
Miscellaneous Revenue	6,029,400	Office of Elections	631,000
Non-Categorical Aid - Virginia	33,467,900	Community Development	7,805,100
Shared Expenses	21,676,300	Parks, Recreation and Cultural	41,543,600
Categorical Aid - Virginia	277,048,500	Public Health and Assistance	66,975,700
Federal Aid	6,291,500	Public Safety	102,739,100
Recovered Costs	7,978,300	Public Works	47,719,800
Other Sources and Transfers in	13,040,000	Debt Service	80,686,600
		Education	321,186,400
		Non-Departmental Appropriations	54,983,700
Total	<u>\$824,914,500</u>	Total	<u>\$824,914,500</u>

Source: Approved Operating Budget for fiscal year ended June 30, 2010.

On April 7, 2009, the City Manager presented a proposed CIP Budget for the fiscal year ended June 30, 2010. City Council adopted this budget, which totals \$160,393,568, on May 19, 2009. See Table II-9 in the Section entitled "DEBT INCURRED BY OTHER GOVERNMENTAL ENTITIES – Capital Improvement Program Budget."

Table III-12
City of Norfolk, Virginia
General Governmental Expenditures by Function
Fiscal Years Ended June 30, 2000 - 2009
(Amounts In Thousands)

Fiscal Year Ended June 30	General Government Adminis- tration	Judicial Adminis- tration	Public Safety	Public Works	Health and Public Assistance	Education	Culture and Recreation	Community Develop- ment	Debt Service	Inter- Govern- mental	Capital Outlay	Total
2000	\$50,770	\$8,969	\$96,542	\$36,792	\$72,609	\$79,033	\$45,088	\$22,970	\$48,399	\$5,950	\$17,912	\$485,034
2001	50,671	7,987	101,523	36,817	56,967	80,883	46,032	22,549	51,121	7,807	27,488	489,845
2002	44,126	8,790	115,912	56,124	61,601	83,883	40,849	16,945	48,637	7,932	30,516	515,315
2003	64,639	9,280	123,202	57,162	68,140	88,854	40,149	17,673	48,448	8,061	37,770	563,378
2004 ⁽¹⁾	76,127	35,603	94,979	80,613	76,221	90,020	40,081	8,048	49,551	6,140	45,026	602,409
2005	67,434	38,110	102,278	64,497	83,451	91,865	40,290	12,716	65,468	-	85,144	651,253
2006	92,062	41,795	105,634	46,959	91,535	92,595	42,995	13,552	56,462	-	91,632	675,221
2007	102,031	45,173	108,565	49,161	93,397	97,595	46,397	11,158	54,789	-	94,595	702,861
2008	110,974	47,331	116,208	60,370	95,159	101,095	51,071	10,745	60,728	-	114,007	767,688
2009	102,426	50,347	118,073	56,146	91,648	104,511	52,248	9,899	71,758	-	104,892	761,948

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2009.

Note: (1) Sheriff and Jail expenditures were reclassified in Fiscal Year Ended June 30, 2004, from Public Safety to Judicial Administration.

RESULTS OF FINANCIAL OPERATIONS

A comparative balance sheet at June 30, 2009 and 2008 extracted from the June 30, 2009, Comprehensive Annual Financial Report for the General Fund is presented in Table III-13. The Comparative Statement of Revenue and Expenditures for the City's General Fund for the past five fiscal years are presented in Table III-14. The City's most recent General Fund statements of changes in fund balances for the past five fiscal years are summarized in Table III-15.

Table III-13
City of Norfolk, Virginia
Balance Sheet, General Fund
June 30, 2009 with comparative totals for 2008

	<u>2008</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$51,735,145	\$22,299,019
Receivables, net:		
Taxes	45,118,526	52,235,141
Accounts	2,531,218	2,186,894
Notes	47,276	23,230
Accrued investment income	9,811	8,788
Due from other funds	4,113,067	15,526,495
Receivable from other governments	22,159,547	24,167,204
Deposit Contractors	-	-
Total assets	<u><u>\$125,714,590</u></u>	<u><u>\$116,446,771</u></u>
LIABILITIES		
Vouchers/Accounts Payable	\$9,405,462	\$9,329,359
Employee withholdings	870,818	920,692
Accrued payroll	4,641,025	4,622,767
Due to other funds	6,648,265	1,103,750
Due to component units	-	30,274
Deferred revenue	29,948,443	38,585,306
Other liabilities	6,229,389	3,228,653
Total liabilities	<u><u>\$57,743,402</u></u>	<u><u>\$57,820,801</u></u>
FUND BALANCES		
Reserved for:		
Encumbrances	\$11,109,234	\$7,356,528
Retirees, life insurance	560,000	485,000
Unreserved, reported in:		
General Fund – Designated future expenditures	15,765,842	9,420,427
General Fund - Undesignated	40,536,112	41,364,015
Total fund balances	<u><u>67,971,188</u></u>	<u><u>58,625,970</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$125,714,590</u></u>	<u><u>\$116,446,771</u></u>

Source: Comprehensive Annual Financial Report for the Fiscal Years Ended June 30, 2009 and 2008.

Table III-14
City of Norfolk, Virginia
Comparative Statement of Revenue and Expenditures, General Fund
Fiscal Years Ended June 30, 2005 – 2009

	Fiscal Year Ended June 30				
	2005	2006	2007	2008	2009
REVENUE:					
General property taxes	\$192,894,904	\$210,595,835	\$233,112,175	\$238,739,614	\$249,021,469
Other local taxes	141,510,674	148,336,907	149,792,683	153,068,673	149,143,513
Permits and licenses	3,541,516	4,088,238	4,071,084	4,055,323	4,011,771
Fines and forfeitures	1,763,078	1,461,418	1,568,816	1,307,680	1,259,775
Use of money and property	7,154,235	7,069,758	7,220,387	7,208,529	6,468,854
Charges for services	14,829,244	16,877,536	18,083,478	19,937,632	20,382,047
Miscellaneous	5,196,567	5,925,598	4,100,316	4,792,166	6,323,499
Recovered costs	14,187,852	12,666,645	8,337,397	8,620,136	8,952,032
Intergovernmental	113,534,988	117,797,242	125,574,811	122,498,492	123,889,498
Total Revenue	<u>\$494,613,058</u>	<u>\$524,819,177</u>	<u>\$551,861,147</u>	<u>\$560,228,245</u>	<u>\$569,452,458</u>
EXPENDITURES:					
General government	\$65,578,006	\$88,834,205	\$101,191,123	\$107,878,689	\$102,304,247
Judicial administration	37,456,654	40,889,147	44,115,143	46,015,225	47,316,777
Public safety	91,464,166	93,709,757	96,884,619	103,792,189	107,927,615
Public works	50,256,206	34,276,568	36,775,654	42,909,508	38,806,007
Health and public assistance	61,696,267	65,666,065	65,364,955	66,221,236	65,330,416
Culture and Recreation	32,108,630	32,833,720	37,332,038	41,205,827	41,805,449
Education	91,864,910	92,594,910	97,594,910	6,542,288	6,579,369
Community development	7,125,756	6,468,840	6,182,579	101,094,910	104,511,131
Total Expenditures	<u>\$437,550,595</u>	<u>\$455,273,212</u>	<u>\$485,441,021</u>	<u>\$515,659,872</u>	<u>\$514,581,011</u>
Excess of (deficiency) revenue over expenditures	57,062,463	69,545,965	66,420,126	44,568,373	54,871,447
Other financing sources (uses):					
Proceeds from sale of land	\$ -	\$ -	\$ -	\$11,320,660	\$8,487,667
Proceeds of capital leases	4,701,516	4,828,468	-	-	-
Capital contributions	-	-	-	-	-
Transfers in	11,103,036	11,835,850	11,824,628	10,000,000	12,948,230
Transfers out	(63,365,438)	(71,712,560)	(72,641,665)	(86,197,266)	(85,652,562)
Total Other Financing Sources (Uses)	<u>(47,560,886)</u>	<u>(55,048,242)</u>	<u>(60,817,037)</u>	<u>(64,876,606)</u>	<u>(64,216,665)</u>
Special Items:					
Write off of uncollectible FEMA Grant	(3,113,624)	-	-	-	-
Total Other Financing Sources (Uses) and Special Items	(50,674,510)	(55,048,242)	(60,817,037)	(64,876,606)	(64,216,665)
Net Change in Fund Balance	<u>\$6,387,953</u>	<u>\$14,497,723</u>	<u>\$5,603,089</u>	<u>\$(20,308,233)</u>	<u>\$(9,345,218)</u>

Sources: Comprehensive Annual Financial Reports for the Fiscal Years Ended June 30, 2005 through 2009.

Table III-15
City of Norfolk, Virginia
Comparative Statement of Changes in Fund Balance, General Fund
Fiscal Years Ended June 30, 2005 - 2009

	Fiscal Year Ended June 30				
	2005	2006	2007	2008	2009
Net Change in Fund Balance	\$6,387,953	\$14,497,723	\$5,603,089	\$(20,308,233)	\$(9,345,218)
Fund balance at beginning of year	62,099,945	68,178,579 ⁽¹⁾	82,676,302	88,279,421	67,971,188
Adjustment to beginning balance	-	-	30	-	-
Fund Balance at end of year	<u>\$68,487,898</u>	<u>\$82,676,302</u>	<u>\$88,279,421</u>	<u>\$67,971,188</u>	<u>\$58,625,970</u>

Sources: Comprehensive Annual Financial Reports for the Fiscal Years Ended June 30, 2005 through 2009.

Note: (1) This figure excludes the Tax Increment Fund in the amount of \$309,319, which was reclassified as a special revenue fund beginning in fiscal year ended June 30, 2005.

PART IV
ENTERPRISE FUNDS
WATER UTILITY FUND

Overview

The City-owned water system (the "Water System"), operated by its Department of Utilities, is one of the largest municipal water systems in the Commonwealth. The more than 820,000 people served by the Water System are distributed throughout the City, the Naval bases in the Cities of Norfolk, Virginia Beach ("Virginia Beach") and Chesapeake ("Chesapeake"), and the U.S. Naval bases located in the City and Virginia Beach. A Naval base in the City of Portsmouth ("Portsmouth") is provided raw water service. The distribution of average metered consumption in the fiscal year ended June 30, 2009, is shown in Table IV-1.

Table IV-1
City of Norfolk, Virginia
Water System
Average Metered Water Delivered by Customer
Fiscal Year Ended June 30, 2009

Customer	Metered Consumption (MGD)	Percent of Total
Norfolk	18.35	27.40%
Virginia Beach	35.62	53.16%
U.S. Navy	4.45	6.64%
Chesapeake	8.58	12.80%
	67.00	100.00%

Source: Department of Utilities.

As June 30, 2009, the Water System had approximately 65,000 active accounts. The average annual daily amount of finished water pumped for fiscal year ended June 30, 2009 was 63 million gallons per day ("MGD"). Average day production includes approximately 4.5 MGD of unaccounted for water due to losses, water used for fire protection and the flushing of water mains. For fiscal year ended June 30, 2009, the System's unaccounted for water level was approximately 7.2% which is well within the levels typically reported by well run water utilities according to the American Water Works Association.

Prior to fiscal year ended June 30, 1998, Virginia Beach's water use was restricted due to concerns about exceeding the safe yield of the Water System's sources. Due to its rapid population growth since the 1950s, combined with recurring water shortages, Virginia Beach constructed a 76 mile pipeline from Lake Gaston in Brunswick County, Virginia ("Lake Gaston") to the Water System through which raw water from Lake Gaston is conveyed, treated by Norfolk and then delivered to Virginia Beach. With the completion of the Lake Gaston Pipeline in fiscal year ended June 30, 1998, the conservation restrictions on Virginia Beach's water use have been lifted, except in times of drought.

Wholesale Contracts

A significant portion of the Water System's revenue is derived from wholesaling water to the U.S. Navy, Chesapeake, Portsmouth and Virginia Beach. The City has wholesale contracts with the U.S. Navy and Virginia Beach. In the absence of a wholesale contract, the City of Chesapeake purchases treated

water from the City at a current rate of \$3.84 per 100 cubic feet. If a wholesale contract between Chesapeake and the City is executed, the City anticipates the Chesapeake will continue to purchase treated water from the City pursuant to the wholesale customer treated water rate ordinance. The City also has executed a raw water contract with Chesapeake and began delivering 7 MGD of raw water in 2006. In addition, the City has a contract with Virginia Beach for wheeling and treating Lake Gaston water and a contract with Portsmouth for the sale of emergency raw water.

Financial Management

On July 1, 1979, the City Council established the Water Utility Fund as a distinct enterprise fund to account for all of the financial activity related to providing water services to its customers. Since its inception, the Fund has operated on a self-supporting basis.

Historically, regular annual transfers have been made from the Water Utility Fund to the City's General Fund for payments-in-lieu of taxes and as a return on the City's investment in the Water System. Additionally, transfers have been made to pay all debt service on general obligation bonds issued by the City prior to the creation of the water revenue bond program in 1993 to pay for Water System improvements. The City intends to pay for all future Water System capital costs from revenue of the Water System and proceeds of water revenue bonds. The Water Utility Fund is reported on an accrual basis of accounting.

City general obligation debt issued to finance water utility projects is carried as a liability on the Water Utility Fund balance sheet. The Water Utility Fund provides the funds for debt service on such bonds.

Water Rates

Retail rates are set by City Council. Effective in fiscal year ended June 30, 2004, the City Council established a long-term retail rate plan and starting in fiscal year ended June 30, 2007, water rates increase 3.5% annually and produces the following rates:

Fiscal Year Ended June 30,	Retail Rate
2010	\$3.74 per 100 cubic feet
2011	\$3.87 per 100 cubic feet
Thereafter	3.5% annual increases each July 1

U.S. Navy and Chesapeake wholesale rate revisions for inclusion in City Ordinances are approved by City Council. Virginia Beach formula driven biennial wholesale rate revisions are governed by contract. In order to encourage conservation, the current rate structure is a uniform rate per thousand gallons, with no quantity discount. Retail customers are charged a monthly service charge.

WASTEWATER UTILITY FUND

As of June 30, 2009:

Approximate population served	65,550 accounts
Total wastewater pumping stations	129 pump stations
Miles of gravity wastewater mains	816 miles
Miles of wastewater force mains	63 miles

The City owns and operates a sanitary sewer system (the "Sewer System") which collects and conveys wastewater to the regional treatment agency, the Hampton Roads Sanitation District. Approximately 63,400 accounts located within the City are served by the Sewer System. Since July 1, 1983, the Wastewater Utility Fund has been operated as an enterprise fund.

City general obligation debt issued to finance wastewater utility projects is carried as a liability on the Wastewater Utility Fund balance sheet. The Wastewater Utility Fund provides the funds for debt service on such bonds.

Each customer using the City Sewer System is charged at a rate based on the water meter flow unless an effluent meter is used. In the absence of an effluent meter, the water meter flow is used. Rates are set by City Council. Effective in fiscal year ended June 30, 2005, the City Council established a long-term retail rate plan and starting in fiscal year ended June 30, 2006, wastewater rates increase annually by 4.0% and produces the following rates:

Fiscal Year Ended June 30,	Retail Rate
2010	\$3.01 per 100 cubic feet
2011	\$3.13 per 100 cubic feet
Thereafter	4% annual increases each July 1

PARKING FACILITIES FUND

The City presently owns and operates 13 multi-level parking garages, 10 surface lots and 582 on-street spaces. These facilities provide a total inventory of over 19,800 downtown parking spaces.

The Parking Facilities Fund was established in fiscal year 1991. City general obligation debt issued to finance Parking Facilities Fund projects is carried as a liability on the Parking Facilities Fund's balance sheet. The Division of Parking provides the funds for debt service on such bonds. The Parking Facilities Fund balance sheet on June 30, 2009, presents total assets of \$202,420,486, which includes restricted investments of over \$10.8 million, to be utilized for garage construction and required master indenture reserves. In addition, fixed assets, including parking structures, consist of over \$171 million of the total \$202 million in assets. The Parking Facilities Fund also manages parking enforcement operations and collects fines and delinquent fees. The annual volume of parking tickets is approximately 55,600. In fiscal year ended June 30, 2009, 71,800 tickets were issued resulting in 77% collection rate and revenue of \$1,979,005.

Transfers have been made from the Parking Facilities Fund to the Debt Service Fund to pay all debt service on general obligation bonds issued by the City to pay for Parking System improvements. Revenue of the Parking System has fully covered debt service on general obligation bonds issued for the Parking System.

In March 2008, the City executed a Master Development Agreement with a developer for the development of the Wells Fargo Center (formally the Wachovia Center). The Wells Fargo Center is a mixed-use privately financed project composed of a high rise Class A office tower and residential units, as well as an adjacent retail development. The Wells Fargo Center project represents a combined investment and expansion of the downtown area of \$170 million. Construction on the project is underway and the Wells Fargo Center is expected to open in Spring 2010. The Master Development Agreement requires the City to finance the design, construction and equipping of a parking garage under the office tower and a central public parking garage to serve the entire Wells Fargo Center project. The City has estimated that the design, construction and equipping of the parking garages will cost \$53,438,000.

The City also entered into a Master Development Agreement (the "Conference Center MDA") with RLJ-Fulco Norfolk, LLC for the construction of a privately financed hotel adjoining a parking garage and conference center. The Conference Center MDA requires the City to finance the design, construction and equipping of the parking garage (among other things). The projected budget for the parking garage is approximately \$22 million. Construction on the project is expected to begin in 2010.

**PART V
THE CITY OF NORFOLK**

INTRODUCTION

The City of Norfolk was established as a town in 1682, as a borough in 1736 and incorporated as a city in 1845. The City lies at the mouth of the James and Elizabeth Rivers and the Chesapeake Bay, and is adjacent to the Atlantic Ocean and the cities of Virginia Beach, Portsmouth and Chesapeake.

**Table V-1
City of Norfolk, Virginia
Area of City**

Year	Square Miles
1950	37.19
1960	61.85
1970	61.85
1980	65.75
1990	65.98
2000	65.98
2009	65.98

CITY GOVERNMENT

Norfolk is an independent, full-service City with sole local government taxing power within its boundaries. It derives its governing authority from a charter (the "Charter"), originally adopted by the General Assembly of Virginia (The "General Assembly") in 1918, which authorizes a council-manager form of government. The City Council exercises all of the governmental powers conferred upon the City. Having sought and gained approval from the U.S. Justice Department and the General Assembly, the City gave its citizens the right to elect their Mayor directly, effective May 2006. Previously the City's Mayor had been chosen by the City Council from among its members. This change added an eighth member to the City Council, with the Mayor elected at large, and retains the current seven wards with two members elected from super wards. The City Council elects a Vice Mayor from among its members. Among the City officials appointed by the City Council is the City Manager, the administrative head of the municipal government. The City Manager carries out its policies, directs business procedures and appoints, with the power to remove, the heads of departments and other employees of the City except those otherwise specifically covered by statutory provisions. The City Council also appoints certain boards, commissions and authorities of the City.

Certain Elected Officials

The City's current elected officials include:

Paul D. Fraim, Mayor

In May 2006, Mayor Fraim became the City's first popularly elected mayor in nine decades. Mayor Fraim is a 20-year incumbent on City Council, and was first elected Mayor by his peers in 1994. He is the president of the law firm Fraim & Fiorella, P.C., and was first elected to City Council in 1986. He has a Bachelor of Arts degree from Virginia Military Institute, Lexington, Virginia, and a Masters in Education degree from the University of Virginia, Charlottesville, Virginia. He received his law degree from the University of Richmond, Richmond, Virginia. Mayor Fraim is an active member of the Virginia

State Bar, the Virginia Bar Association and the Norfolk-Portsmouth Bar Association and has held a number of leadership positions in these organizations.

Anthony L. Burfoot, Vice Mayor

Mr. Burfoot, representing Ward 3, was first elected to City Council in July 2002. He is employed by New York Life as a licensed Life and Annuities Health Agent. Effective December 15, 2008, Vice Mayor Burfoot became a chief deputy for Norfolk's City Treasurer Thomas W. Moss, Jr. He received a Bachelor of Science degree in Public Administration and a Master's degree in Educational and Administrative Supervision from Virginia State University, Petersburg, Virginia. He is involved in many civic and business activities.

Daun S. Hester, Council Member

Mrs. Hester, representing Super Ward 7, was first elected to City Council in July 1996. Mrs. Hester is currently co-owner with Hester, Hester & Associates, Ltd., an education and training consulting firm. She received a Bachelor of Science degree from Virginia State University, Petersburg, Virginia, and a Master of Arts degree in Education and Human Development from The George Washington University, Washington, D.C. Mrs. Hester is active in many local professional organizations.

Paul R. Riddick, Council Member

Mr. Riddick, representing Ward 4, was first elected to City Council in July 1992. He is the owner and operator of Riddick Funeral Service in Norfolk. He attended Norfolk State University, Norfolk, Virginia, and has an Associates in Art and Sciences degree in Funeral Service from John Tyler Community College, Chester, Virginia. Mr. Riddick is active in many local professional organizations.

Dr. Theresa W. Whibley, Council Member

Dr. Whibley, representing Ward 2, was first elected to City Council in July 2006. She is an obstetrician and gynecologist in private practice at Woman Caring, PLC in Norfolk. Dr. Whibley is a graduate of Eastern Virginia Medical School, Jones Institute of Reproductive Medicine, Norfolk, Virginia, Old Dominion University, Norfolk, Virginia and the College of William and Mary, Williamsburg, Virginia. Dr. Whibley is active in many local professional organizations.

Donald L. Williams, Council Member

Mr. Williams, representing Ward 1, was first elected to City Council in July 2002. Prior to running for Council, Mr. Williams served as a delegate in the Virginia House of Delegates from 1998 through 2001. He is currently president of the Hampton Roads Housing Center. He attended Old Dominion University, Norfolk, Virginia and obtained a real estate broker's license in 1983. Mr. Williams is active in many civic and business activities.

Barclay C. Winn, Council Member

Mr. Winn, representing Super Ward 6, was first elected to City Council in July 2000. He is the Chief Executive Officer of Winn Nursery of Virginia, Inc. which is headquartered in Norfolk. He received a Bachelor of Science degree from North Carolina State University, Raleigh, North Carolina. Mr. Winn is active in many civic and business activities.

W. Randy Wright, Council Member

Mr. Wright, representing Ward 5, was first elected to City Council in July 1992. He is the owner of Randy Wright Printing and Publishing. He is involved in many civic and business activities, including serving as the chairman of the Mayor's Ocean View Task Force and Economic and Community Business Development Committee.

Certain Appointed Officials

Regina V.K. Williams, City Manager

Regina V.K. Williams assumed the post of Norfolk City Manager in January 1999. Her responsibilities include the supervision of the administrative operations of the City and the preparation of its annual budget. She served as City Manager for the City of San Jose, California for five years and previously served as Assistant City Manager for five years. Prior to serving in San Jose, Mrs. Williams was Deputy City Manager and Chief of Staff for the City of Richmond, Virginia. In 1982, Mrs. Williams was appointed by then Virginia Governor Charles Robb as the first female and first African American to be State Director of Personnel and Training. In 1991, she was inducted as a fellow into the National Academy of Public Administration (NAPA). In 1988, Mrs. Williams was elected as Vice-President of the Board of Directors for the International City-County Management Association (ICMA). She was awarded the designation of manager of the year in September 2002 by ICMA. Mrs. Williams also served as the President of the National Forum of Black Public Administrators in 1995-96 and is a founder and former President of the Richmond, Virginia Chapter of the Conference of Minority Public Administrators. She earned her Bachelor of Science degree from Eastern Michigan University, Ypsilanti, Michigan, and a Masters degree in Public Administration from Virginia Commonwealth University, Richmond, Virginia.

Darrell V. Hill, Director of Finance & Business Services

Darrell Hill commenced his tenure as Director of Finance & Business Services on August 31, 2009. At the direction of the City Manager, he is responsible for identifying strategic opportunities for the City in the policy areas of taxation, financial management and fiscal policy development. In addition, he is responsible for the administration of the financial affairs of the City which include cash management and investments, debt management, financial accounting and reporting, procurement, risk management and retiree benefits. Prior to joining the City, he was a governmental investment banker based out of Richmond, where his responsibilities included providing the full range of underwriting and financial advisor services to governmental entities throughout the Middle Atlantic States of Virginia, Maryland, North Carolina and the District of Columbia. Mr. Hill also served as the Executive Director of the Virginia Resources Authority under Governor Mark Warner. Mr. Hill earned a Bachelor of Science degree with honors in Economics from the School of Business at Hampton University, Hampton, Virginia.

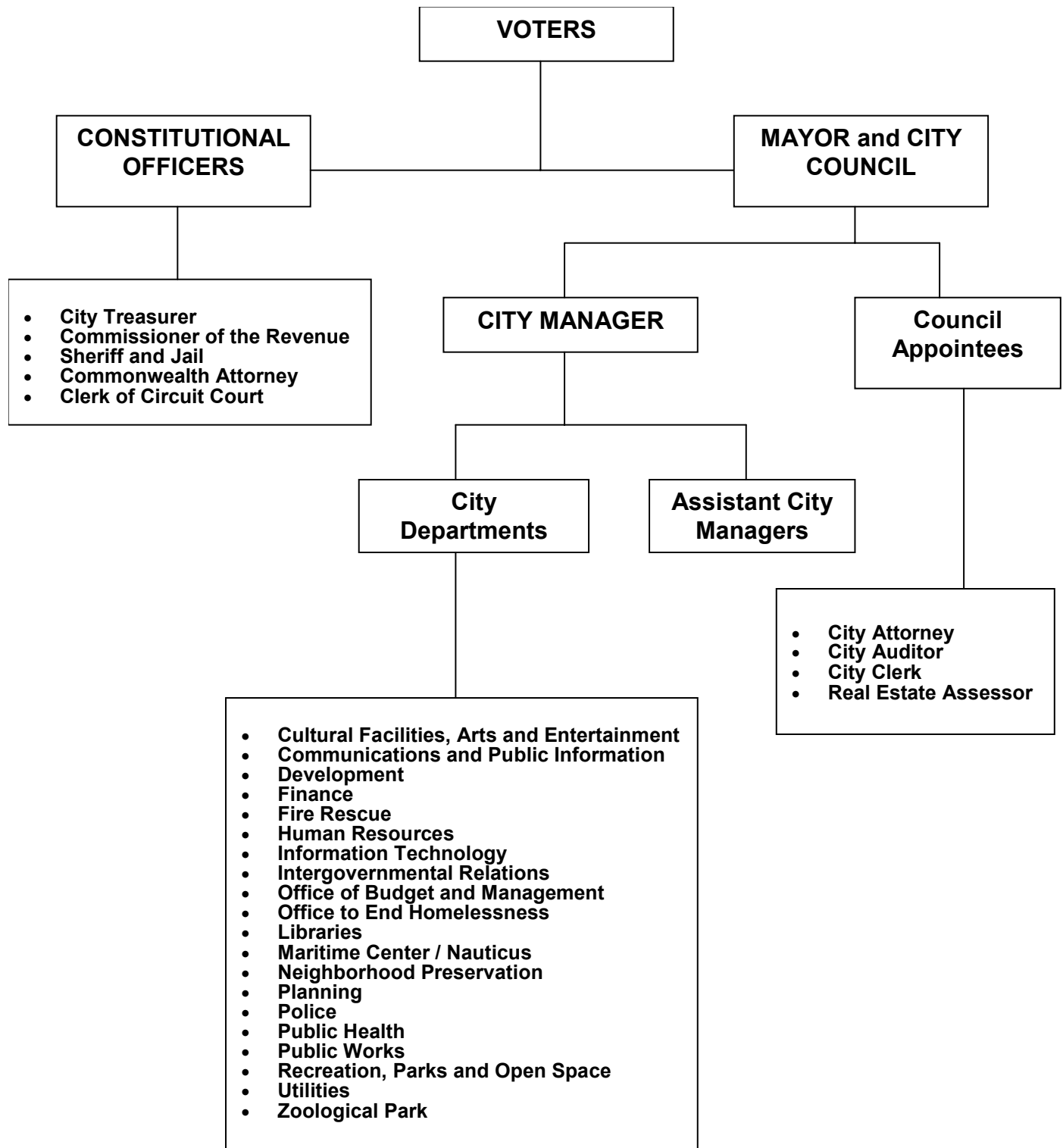
Bernard A. Pishko, City Attorney

Bernard A. Pishko was first appointed by City Council as City Attorney in November 1997. He previously served as Deputy City Attorney from 1989 to 1997 and as an Assistant City Attorney from 1984 to 1989. He has practiced law since 1982. The City Attorney is also general counsel for the Norfolk School Board, Norfolk Recreational Facilities Authority, Norfolk Community Services Board, Hospital Authority of Norfolk, Norfolk Municipal Employees' Retirement System, Norfolk Electoral Board, Civil Service Commission and The Chrysler Museum of Art. Mr. Pishko is a member of many professional associations and community organizations. He received his undergraduate degree from Brown University, Providence, Rhode Island, a Masters degree in Business Administration from the

College of William and Mary, Williamsburg, Virginia, and a law degree from the Marshall-Wythe School of Law, Williamsburg, Virginia.

Governmental Services and Facilities

In Virginia, cities and counties are not overlapping units of government. Each city or county is a distinct political entity providing services for the population within its respective jurisdiction. The City of Norfolk provides a comprehensive range of public services characteristic of its form of government under Virginia law. These services are designed to provide an environment within which the educational, physical, social and cultural needs of its citizens are met. These general governmental services include police protection, fire and paramedical services, public health and social services, planning and zoning management, code enforcement, storm water management, street maintenance, traffic control, parks and cemeteries operation and maintenance, recreation and library services, economic development, solid waste disposal and general administrative services. In addition, water and wastewater utilities and parking facilities services are provided under an enterprise fund concept with user-charges set by City Council.



OTHER GOVERNMENTAL ENTITIES

School Board of the City of Norfolk

The seven members of the School Board of the City of Norfolk (the "School Board") are appointed by the City Council. The School Board is a corporate body and in its corporate capacity is vested with all of the duties, obligations and responsibilities imposed upon school boards by law. The City Council is required to appropriate annually to the School Board the amount needed for the support of the public schools in maintaining educational programs which meet the standards of quality prescribed by law. Categorical aid from the Commonwealth of Virginia and the federal government designated for educational purposes is included in the City's General Fund budgetary revenue. This categorical aid, plus monies derived from local sources, provides the funds for the major share of the School Board's operations. On an ongoing basis, the City also issues debt to finance needed capital projects of the school system.

The School Board presently operates 35 elementary schools, nine middle schools, five high schools and several auxiliary schools, including alternative, magnet and specialty programs. For the fiscal year ended June 30, 2009, the School Board's expenditures for education totaled \$387,392,289.

Norfolk Airport Authority

The Norfolk Airport Authority, a political subdivision of the Commonwealth, was created to operate an airport and to promote industrial growth and consists of both an Airport Fund and an Investment Fund. The Airport Fund was established by the Authority to account for the operations of the Norfolk International Airport (the "Airport"). Revenue generated by airport operations is used to meet all operating expenses and to provide for payment of all principal and interest on debt of the Authority related to the Airport. The Investment Fund was established by the Authority to provide for certain airport capital improvements.

The Authority finances individual capital projects by issuing bonds or obtaining loans and intergovernmental grants in its own name and concurrently entering into leases which provide for payment of all principal and interest on the related obligations as they become due. Revenue includes rental income on non-airport property owned by the Authority and interest on investments.

The Authority's Commissioners are appointed by City Council, but the Commission designates its own management and has oversight responsibility for its own financial matters. The City does not provide funds for the operations of the Authority, and pursuant to Section 144(q) of the City Charter, the Authority is required to submit its annual budget to the City Council for the purposes of information only. The City has the option to reacquire, without consideration, title to all property and equipment after payment by the Authority of all obligations relating to the improvements at the Airport.

Hampton Roads Regional Jail Authority

The Hampton Roads Regional Jail Authority ("HRRJA") is a regional organization which includes the cities of Hampton, Newport News, Norfolk and Portsmouth, created for the purpose of providing, operating and maintaining a regional jail facility for the correctional overflow from each community. HRRJA is a primary government, with no component units, that is a body politic and corporate created pursuant to Article 3.1, Chapter 3, Title 53.1 of the Virginia Code and is governed by a 12 member Board of Directors, consisting of three representatives appointed by each of the member cities. The budgeting and financing of HRRJA are subject to the approval of the Board of Directors, with

each individual having a single vote. HRRJA is responsible for its own financial matters, maintains its own books of account and is audited annually by independent accountants that it engages.

The regional jail facility (the "Jail"), which opened in March 1998, consists of approximately 385,518 square feet of building area, including three housing building units, a support building and a central plant. The Jail holds 875 inmates of which, 250 are designated to the City. The City is responsible for 28.57% of the total operating cost less the revenue derived from the Virginia Compensation Board and the per diem reimbursement from the Commonwealth for the housing of state inmates.

The Southeastern Public Service Authority of Virginia

The Southeastern Public Service Authority ("SPSA") is a joint venture of the cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach and the counties of Isle of Wight and Southampton, created for the purpose of providing, operating and maintaining a regional system for the collection, transfer, processing and disposal of solid waste refuse. SPSA is a primary government, with no component units, that is a public body politic and corporate created pursuant to the Virginia Water and Sewer Authorities Act, and is governed by an eight-member Board of Directors, consisting of a representative appointed by each of the member cities and counties. Budgeting and financing of SPSA is subject to the approval of the Board of Directors, with each individual having a single vote. SPSA is responsible for its own financial matters, maintains its own books of account and is audited annually by independent accountants that it engages.

The regional system includes a refuse-derived fuel plant and a fuel delivery system, located on federally-owned land in Portsmouth, as well as solid waste transfer stations in each of the member jurisdictions, a landfill, rolling stock and ancillary facilities, and an extensive recycling program which collects recyclable waste products from single-family homes and at drop-off centers.

Hampton Roads Transportation District Commission

Hampton Roads Transit ("HRT") was created on October 1, 1999, with the consolidation of the Tidewater Regional Transit and Peninsula Transportation District Commission. It is believed to be the first voluntary merger of public transit agencies in the nation. The district continues to be a political subdivision of the Commonwealth of Virginia, formed as a joint exercise of governmental power in accordance with the provisions of Chapter 32 of Title 15.2 of the Virginia Code. The District provides public transportation facilities and services within Cities of Norfolk, Chesapeake, Hampton, Newport News, Portsmouth, Suffolk and Virginia Beach.

The Hampton Roads (formerly Tidewater) Transportation District Commission, a political subdivision of the Commonwealth of Virginia, was formed on May 9, 1973, as a joint exercise of governmental power in accordance with provisions of Chapter 32 of Title 15.1 of the Virginia Code.

Table V-2
City of Norfolk, Virginia
Contributions To Hampton Roads Transportation District Commission
Fiscal Years Ended June 30, 2006 - 2010

Fiscal Year	Contributions
2006	\$4,559,463
2007	5,960,949
2008	7,047,624
2009	7,666,622
2010	7,666,622

Sources: Approved Operating Budgets, Fiscal Years Ended June 30, 2006 through 2010.

Hospital Authority of Norfolk

The Hospital Authority of Norfolk (the "HAN"), which has a nine-member Board of Commissioners appointed by City Council, is a tax-exempt, not-for-profit political subdivision of the Commonwealth created pursuant to an Agreement of Transfer dated July 1, 1988. The HAN operates Lake Taylor Hospital as a long-term care facility licensed by the Virginia State Health Department to provide a continuum of patient care ranging from sub-acute hospital services to skilled nursing care.

Norfolk Redevelopment and Housing Authority

The Norfolk Redevelopment and Housing Authority ("NRHA"), a political subdivision of the Commonwealth, was created by the City on July 30, 1940, under the provisions of the United States Housing Act of 1937. The NRHA provides subsidized public housing and administers redevelopment and conservation efforts within the City in accordance with state and federal legislation. The seven members of the Board of Commissioners are appointed by City Council. The NRHA is responsible, through a contract with the City, for the administration of such activities as community development and urban renewal. The NRHA develops its operating budget without approval from the City Council and executes contracts on its own behalf. The City does not exercise a significant degree of oversight responsibility for the NRHA, as it is responsible for designating its own management, developing its own operating budget and executing major contracts on its own behalf. The NRHA is responsible for its own financial matters as it maintains its own books of account, is audited annually by independent accountants it engages, and has authority over earnings, deficits and monies other than City contract funds. The City contracts with NRHA to complete specific projects, generally capital improvement projects.

ECONOMIC AND DEMOGRAPHIC FACTORS

Population

As reflected in Table V-3 below, from 2000 to 2009 recently published population statistics suggest the City's population has now stabilized. The City is the second most populous city in Virginia, as shown in Table V-4.

Table V-3
Population Trend Comparisons
2000-2009

Year	Norfolk²	Hampton Roads		U.S.⁽³⁾
		MSA⁽²⁾⁽¹⁾	Virginia⁽³⁾	
2000	234,403	1,558,727	7,078,515	281,421,906
2001	234,000	1,567,300	7,188,251	285,039,803
2002	233,600	1,574,500	7,276,785	287,726,647
2003	233,900	1,583,900	7,363,300	290,210,914
2004	235,200	1,605,900	7,454,688	292,892,127
2005	235,071	1,615,415	7,546,725	295,560,549
2006	234,219	1,619,600	7,628,347	298,362,973
2007	235,915	1,623,624	7,698,775	301,290,332
2008	233,106	1,632,970	7,795,424	304,059,724
2009	237,764	1,644,005	7,882,590	307,006,550

Sources: Various Reports of the U.S. Census Bureau and the Weldon Cooper Center for Public Service, University of Virginia.

- Notes: (1) The Hampton Roads MSA is the Virginia portion only.
 (2) Population estimates are from the Weldon Cooper Center for Public Service, University of Virginia.
 (3) U.S. and Virginia population estimates are from the U.S. Census Bureau.

Table V-4
Five Most Populous Cities in Virginia

City	2000 Census Population	2009 Population Estimate
Virginia Beach	425,257	434,412
Norfolk	234,403	237,764
Chesapeake	199,184	219,960
Richmond	197,790	198,102
Newport News	180,697	182,591

Source: U.S. Census Bureau and the Weldon Cooper Center for Public Service, University of Virginia.

Table V-5 provides an annual comparison of per capita personal income since 1998.

Table V-5
City of Norfolk, Virginia
Per Capita Personal Income Comparisons
1998-2007

Year	City	Hampton Roads MSA	State	U.S.
1998	\$21,406	\$24,026	\$27,780	\$26,883
1999	22,131	24,912	29,226	27,939
2000	23,523	26,362	31,086	29,847
2001	24,731	27,768	32,521	30,582
2002	25,355	28,781	33,055	30,838
2003	26,686	30,059	34,034	31,530
2004	28,131	31,542	35,886	33,157
2005	30,062	33,129	37,988	34,690
2006	31,884	35,212	40,234	36,794
2007	33,371	36,837	41,727	38,615

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, 2009.

The age distribution of the City's population is presented in Table V-6.

Table V-6
City of Norfolk, Virginia
City Population Distribution by Age
1960-2000

Year	Population	Under 20	20-64	65 or Older
1960	305,872	39.8%	54.5%	5.7%
1970	307,951	35.4	57.8	6.8
1980	266,979	30.7	60.1	9.2
1990	261,250	28.1	61.4	10.5
2000	234,403	27.3	61.5	11.2

Source: Various Reports of the U.S. Census Bureau.

Housing and Construction Availability

Table V-7 provides an annual breakdown of residential building permits over the past 10 fiscal years.

**Table V-7
City of Norfolk, Virginia
Residential Construction
Fiscal Years Ended June 30, 2000 - 2009**

Fiscal Year	Building Permits	Number of Units	Value (in thousands)
2000	189	310	\$38,739
2001	185	401	35,109
2002	290	462	44,498
2003	287	609	61,790
2004	506	766	83,525
2005	560	1,191	204,391
2006	531	1,058	133,053
2007	389	491	68,476
2008	277	815	101,212
2009	217	543	36,458

Source: Permit Tracking System, Department of Planning, City of Norfolk, Virginia.

Table V-8 presents annual nonresidential construction, which includes commercial buildings, public buildings, schools, public utility buildings and miscellaneous structures.

**Table V-8
City of Norfolk, Virginia
Nonresidential Construction
Fiscal Years Ended June 30, 2000 - 2009**

Fiscal Year	Building Permits	Value (in thousands)
2000	45	\$138,472
2001	35	62,046
2002	53	51,451
2003	35	24,084
2004	59	134,197
2005	70	70,677
2006	60	165,989
2007	55	81,396
2008	35	102,714
2009	38	138,131

Source: Permit Tracking System, Department of Planning, City of Norfolk, Virginia.

Employment

Businesses in the City provide residents with employment opportunities in a variety of industries of which services, government and trade are the most significant.

The unemployment rate for the City is illustrated in Table V-9.

**Table V-9
City of Norfolk, Virginia
Unemployment Rates
1999 - 2008**

Year	Norfolk	Hampton Roads MSA	Virginia	U.S.
1999	5.0%	3.2%	2.7%	4.2%
2000	3.3	2.5	2.3	4.0
2001	4.3	3.3	3.2	4.7
2002	5.1	4.1	4.2	5.8
2003	5.3	4.2	4.1	6.0
2004	5.1	4.0	3.7	5.5
2005	5.0	3.9	3.5	5.1
2006	4.2	3.3	3.0	4.6
2007	4.0	3.2	3.0	4.6
2008	5.3	4.2	4.0	5.8

Source: Virginia Employment Commission.

Table V-10
City of Norfolk, Virginia
Civilian Employment and Average Weekly Gross Wages
2nd Quarter, 2009

	Number of Establishments	Number of Employees	Average Weekly Wage	Percentage of Employment
Construction	448	5,137	\$808	3.67%
Manufacturing	161	6,956	921	4.97
Trade, Transportation & Utilities	1,366	26,970	766	19.28
Information	114	2,962	1064	2.12
Financial Activities	647	9,051	952	6.47
Professional & Business Services	1,047	20,772	1,051	14.85
Education and Health Services	704	37,035	812	26.47
Leisure and Hospitality	606	12,903	303	9.22
Other Services	616	3,835	527	2.74
Public Administration	78	14,269	1,252	10.20
Natural Resources & Mining	5	18	503	0.01
Total	5,792	139,908	848	100.00

Source: U.S. Bureau of Labor Statistics. Virginia Employment Commission, Quarterly Census of Employment & Wages Program.

Economic Development

Economic development initiatives are focused on the attraction, expansion and retention of businesses, neighborhood and community revitalization and commercial corridor development. Some of the City-lead initiatives to stimulate commercial revitalization include: Tax Abatement Program; Federal Empowerment and HUB Zones; Small Area Aesthetic Matching Grant Program; Aesthetic Improvement Grant Pool; Pedestrian Commercial Overlay Zones; Tax and Grant Benefits; Concentrated Development Zone Incentives; public infrastructures; and amenities.

Downtown Development

Downtown offers a mix of cultural attractions and entertainment for its citizens and tourists. Resulting from the coordinated efforts of the City, downtown property assessed value increased 85.5% from fiscal year ended June 30, 2004 through 2009.

The current average vacancy rate for Downtown Class A office space is below 10%, as shown in Table V-11 below.

**Table V-11
City of Norfolk, Virginia
Downtown Norfolk Vacancy
December 2009**

Class A	Rentable SF	Vacant SF	% Vacant
150 West Main Street	226,183	13,102	5.79%
Crown Center	62,000	3,530	5.69
Dominion Tower	403,276	12,958	3.21
Main Street Tower	200,000	-	0.00
Norfolk Southern Tower	301,463	47,048	15.61
Town Point Center	130,266	16,826	12.92
World Trade Center	366,941	64,464	17.57
Total	1,690,129	157,928	9.34

Source: CoStar, December 2009.

Bank presence along Main Street includes Bank of America, BB&T, Monarch, Old Point National, RBC Centura, SunTrust, TowneBank and Wachovia. Bank of Hampton Roads, Heritage, Bank of the Commonwealth and several credit unions are also located downtown.

The Wells Fargo Center, a \$170 million dollar office, retail and residential development broke ground in May 2008 on Monticello Avenue adjacent to MacArthur Center, Scope and Chrysler Hall. This city block development features a 22-story Class A office tower, which is 70% leased. The project will also include 50,000 square feet of retail shops, 121 apartments and 1,850 parking spaces in two garages to be built by the City.

Residential Development

Neighborhood revitalization is one of the City's core initiatives and part of the economic development plan. By increasing the diversity of housing opportunities, the City expects to increase the diversity of its citizenry and expand the tax base. The City's goal for neighborhood and commercial development is to provide an environment that will increase private sector investment, retail sales generation and corresponding municipal revenue generation, create a framework for targeted and coordinated public and private investment and build upon and coordinate with other ongoing community development initiatives.

Residential investment continues to grow throughout the City. Several mixed-use offerings now being occupied Downtown include: Harbor Heights, a \$57 million investment, 99 lofts, with a first floor retail grocery, integral parking and two floors of administrative space for Tidewater Community College; St. Paul's Place is complete with 90 condos alongside the MacArthur Center bringing a mix of historic façade to traditional condos (The Flats) and industrial lofts along St. Paul's Boulevard (The Lofts); and The Rotunda, a signature round building adjacent to St. Paul's Place, converted into 66 condominiums ranging in price from \$250,000 to \$1.2 million. In addition to these buildings, there are 94 condominium units at 388 Boush Street, an upscale community representing a \$26 million project wrapping a City parking garage. The 20-unit, \$25 million, Franklin Condominiums are also now available. This project further moved downtown redevelopment across Brambleton Avenue. The Belmont at Freemason contains 241 apartments in two buildings and a garage with 531 parking spaces at Brambleton and Bute Streets with an estimated value of \$45 million.

Residential development also continues to grow in areas beyond Downtown Norfolk. In Larchmont, located on the west side of Norfolk, The Landings at Bolling Square, a 184 condominium unit development estimated at \$60 million, has recently been completed. Other residential development includes 12 new brick town homes on Church Street. These three to four bedroom units are priced between \$165,000 and \$225,000. The River House, a \$32 million, 194-unit luxury apartment community on Haven Creek at the Granby Street Bridge is nearly complete. The River House will strengthen the Riverview commercial corridor and boost prospects for development of adjoining property in this vital area situated between two desirable and historic neighborhoods. SouthWind Apartments, a \$15 million development in Denby Park on a former trailer park, is now occupied. Additional investment along Newport Avenue includes Westport Commons, an \$80 million townhouse/condominium project.

The seven-mile stretch of beaches on the Chesapeake Bay known as Ocean View experienced redevelopment over the past decade. More than 200 new homes have been built in Ocean View with an average value of \$250,000. The East Beach section of Ocean View will have 700 housing units with prices ranging from \$200,000 to over \$1.5 million. A portion of the homes are currently occupied with the remainder of the development on track for completion by 2010. Lot sales total over \$37 million dollars, and the developers' final payment on the \$8.5 million land purchase was made in 2008 – two years ahead of schedule. Another project moving forward on East Ocean View Avenue is the Bay Village Senior Condominiums, a \$15 million development and the first housing exclusively for seniors in Ocean View.

Broad Creek is a \$200 million new community near Norfolk State University with 600 mixed-income homes. In Broad Creek, the region's first mixed-use, mixed-income community, construction is complete on 400 rental units and 70 homes. Construction on Broad Creek Village, a mixed-use residential and retail development began during 2008, and is being followed by Broad Creek's final phase of 200 mixed-income residential units north of Princess Anne Road.

The City is also redeveloping the Fort Norfolk area, which is a 30-acre urban waterfront area linking Downtown Norfolk to the region's medical complex and Ghent community. In the Fort Norfolk section of Downtown Norfolk, the City's first retirement community, known as Harbour's Edge, opened in September 2006 and the second phase is currently being planned. Fort Norfolk Plaza across Brambleton from the medical complex that includes Sentara Norfolk General Hospital and Eastern Virginia Medical School, is a \$70 million, 9-story medical office tower that broke ground in February 2009. The project is expected to also include a jazz club/restaurant, retail shops and a parking garage.

Arts and Culture

Norfolk offers a mix of cultural attractions and entertainment for its citizens and tourists. Recently, investments in this segment include restoration of three live performance theatres, the construction of a cruise terminal building and upgrades to civic venues. Norfolk is home to the Chrysler Museum of Art, Virginia Arts Festival, Virginia Ballet, Virginia Opera, Virginia Stage Company and Virginia Symphony. Norfolk's entertainment and theatre venues include the Attucks Theatre, the Harrison Opera House, Chrysler Museum, and the "Theater District" which includes Chrysler Hall, Jeanne and George Roper Theater, Wells Theatre and the NorVa.

Cruise Norfolk

The 80,000 square foot Half Moone Cruise & Celebration Center opened in spring 2007. The cruise terminal is located in the harbor between Town Point Park and Nauticus/Battleship Wisconsin. Norfolk is a homeport for Royal Caribbean International and Carnival ships, which provide regular service to Bermuda, the Bahamas and the Caribbean. During the 2008 cruise season, 90,000 cruise ship passengers traveled from Norfolk. Norfolk was selected by Porthole Cruise Magazine with the "2008 Editor-in-Chief Award" naming Norfolk "Best Up-and-Coming U.S. Homeport" and was also selected as one of the American Public Works Association's Public Works Project of the Year for 2008.

Norfolk Airport Authority

The Norfolk International Airport (the "Airport") is served by American, Continental, Delta, Northwest, Southwest, United Express and US Airways. Through October 2009, 2.9 million passengers used the Norfolk, a 4.19% decrease from the space provided in 2008. In addition, over 5.4 million pounds of cargo flowed through the airport in October. In Norfolk, service has remained stable over the past two years, with an average of 80 daily departures.

Hotel Development

The City continues to be a national leader in hotel performance with growth in hotel occupancy rates. Currently there are several hotels under construction or proposed in Downtown Norfolk. A \$73 million, 301 room, Westin hotel is planned to be built above a new city conference center at the corner of Granby and Main Streets. This 23-story building will include residential condos above the hotel as well as integrated parking. A nine-story, 160-room Residence Inn by Marriott located in Downtown Norfolk on Brambleton between Duke and Boush Streets opened in April 2009.

Waterfront Recreation Investment

Over \$17 million of overall investment has been made recently along Norfolk's waterfronts. Town Point Park, located downtown along the Elizabeth River, brings thousands of visitors downtown annually and generates both tax and parking revenue for the City. In 2007, visitor spending in the Park exceeded \$27 million. Construction began in October 2008 on the first renovation in its 25 year history.

In Ocean View, adjacent to the "Little Annapolis" retail portion of East Beach is Taylor's Landing Boatel Marina, a \$10 million private investment bringing 500 new recreational boat slips to the area. This marina complex is being expanded to include retail boat showrooms, a boat repair facility, condominiums and restaurant and retail offerings. East Beach, located on the Chesapeake Bay, was named one of the top restored beaches in America by the American Shore and Beach Preservation Association due in part to the investment of \$2.5 million dollars in beach erosion funds.

Sports and Recreation

Norfolk has several waterfronts with the Chesapeake Bay on its North boundary and two major rivers within its boundaries. The City has a public boat ramp in Willoughby Spit with access to the Chesapeake Bay, as well as the recently rehabilitated Haven Creek boat ramp with access to the Lafayette River. The golf courses are also located within the City.

Norfolk is home to the Norfolk Tides, (a AAA minor league baseball team), the Norfolk Admirals (a AHL hockey team) and hosts Arena Racing USA on an indoor track. Old Dominion University began a football program in the fall of 2009, adding to the long-established football program at Norfolk State University.

Norfolk's Educational Institutions

Available within the City are a wide variety of educational facilities including public elementary, middle and high schools, private and parochial schools, two universities, one college, one community college and a medical school.

Public Schools

Norfolk public schools have a low pupil-teacher ratio with class sizes well below the national average. Norfolk offers innovative public school programs, which include Early Childhood Education, a unique, comprehensive program for three and four-year-olds and their parents located in the public housing community of Diggs Town, at the Park Place/Colonial Place Community Center and at Ocean Air Elementary.

Approximately \$90 million has been recently invested in Norfolk public schools facilities. Facilities receiving renovations and new construction include Norview High School, Blair Middle School, Bay View Elementary, Granby High School, Taylor Elementary and the School of International Studies at Meadowbrook.

The City is home to the Governor's Magnet School for the Arts, Virginia's only magnet school for the arts, which offers classes in performing or visual arts to approximately 300 students from six cities and two counties. The school system also has a program for gifted science students that enables them to study at Eastern Virginia Medical School.

Student population for the past five fiscal years is shown in Table V-12.

Table V-12
City of Norfolk, Virginia
Public Schools Student Population
Fiscal Years Ended June 30, 2005 - 2009

Fiscal Year	September 30 Membership	Percent Change
2005	34,445	1.28%
2006	34,063	-1.12
2007	33,593	-1.38
2008	32,947	-1.92
2009	32,272	-2.05

Source: Virginia Department of Education. Superintendents Annual Report. Table 1, Membership.

Higher Education

Norfolk is home to five institutions of higher learning: Old Dominion University, Norfolk State University, Virginia Wesleyan College, Tidewater Community College and Eastern Virginia Medical School. Old Dominion University ("ODU") is one of only 100 public research universities nationwide, with a full and part-time enrollment of over 22,000 students. Norfolk State University is Virginia's largest public, historically black university and the seventh largest in the nation.

Institutional Technology Parks

Old Dominion University – University Village. ODU, in partnership with the City, the Norfolk Redevelopment and Housing Authority, and private developers, has initiated a large scale, mixed-use redevelopment project. This redevelopment project, the University Village, will directly impact 75 acres (13 City blocks) and result in over \$260 million in private and public investments. The project includes student housing, retail, a convocation center, parking, research/office buildings, apartments and a hotel. The research park, named Innovation Research Park, is one of a few research parks in the country located on the campus of its research institution. The second phase of the park is currently under construction.

Norfolk State University – The Research and Innovations to Support Empowerment ("RISE") Center. The RISE Center, located on the campus of Norfolk State University is designed to promote interaction between the university, the business sector and community and federal agencies in research and technology. The first phase of the Marie V. McDemmond Center for Applied Research houses classrooms, labs and offices for professors in areas such as materials research, engineering and computational science, as well as the office of research and technology.

Norfolk's Medical Institutions

Within the City, there are five general, acute care and specialized hospitals including Sentara Norfolk General Hospital ("Sentara Norfolk General"), Sentara Leigh Hospital, Bon Secours DePaul Medical Center, Children's Hospital of The King's Daughters ("CHKD") and Lake Taylor Transitional Care Hospital ("Lake Taylor Transitional"). Sentara Norfolk General opened its new \$100 million heart hospital in February 2006, a 112-bed, 254,000 square foot center. The heart hospital is leading the way for Sentara's 2010 expansion plan for the medical complex. Lake Taylor Transitional rehabilitation

department was recently awarded with the "Better Health Award of 2008" by Old Dominion University's College of Health Science department for their innovation of being the first rehabilitation department in the area to "Wiihabilitate." CHKD, the site of Virginia's only free-standing, full-service pediatric hospital, has received permission to add 26 beds, bringing the hospital's capacity to 212. The expansion is expected to be completed by November 2010.

The Virginia Port Authority

In 1981, the General Assembly passed landmark legislation designed to unify the ports in southeastern Virginia Hampton Roads harbor under a single agency, the Virginia Port Authority, with a single operating company, the Virginia International Terminals, Inc. The Port of Virginia, one of the world's largest natural deep-water harbors, is an integral part of Norfolk's economy.

The Virginia Port Authority is one of the top three ports on the east coast in terms of total value of port trade. Over 14.9 million tons of cargo shipped from the region's three main marine cargo terminals in 2009. In 2009, the port handled a total of 14,908,409 tons of general cargo, including 14,679,585 tons of containerized cargo, with 228,905 tons of breakbulk making up the remainder. By way of comparison, the port handled a total of 17,833,147 tons of general cargo in 2008 prior to the worldwide economic downturn that affected virtually every port with container shipping operations.

**Table V-13
Virginia Port Authority Terminals
General Cargo Tonnage
Calendar Years 2005 – 2009**

Calendar Year	Total General Cargo Tonnage (000's)	Percent Change over Previous Year
2005	15,964	7.44%
2006	16,583	3.88
2007	17,726	6.89
2008	17,833	0.60
2009	14,908	(16.40)

Source: Virginia Port Authority.

Port-related business increases at the Virginia International Terminals drive new capital investment into the region. Completion, later this year, of the Heartland Corridor will give the Port access to markets in Ohio, Illinois, Michigan and points west. Additionally, by 2012, a 300-acre expansion of Norfolk International Terminal will be completed making it the largest inter-modal center in the United States.

Business, Industry and Commerce

Several major companies are headquartered in Norfolk, including:

- Norfolk Southern, a Fortune 500 company and one of the country's largest railroad operators;
- Landmark Communications, one of the country's largest privately owned media companies with ownership of several daily newspapers, local TV stations, and specialty publications;

- Dominion Enterprises, a wholly-owned subsidiary of Landmark Communications, Inc., is a print and internet media group that includes numerous specialty publications and online classifieds;
- FHC Health Systems, one of the top 250 largest private companies in the country, specializing in health care management, health services, and online medical reports;
- CMA CGM Inc., the America's Headquarters, one of the world's largest container transportation and shipping company;
- Portfolio Recovery Associates, a firm whose primary business is the purchase, collection and management of defaulted customer receivables; and
- BlackHawk Products Group, which provides tactical gear such as holsters, body armor, and backpacks to the U.S. Defense Department and law enforcement agencies throughout the world.

Additionally, there are a large variety of industrial, commercial and service employers are located within the City. Table V-14 presents data regarding the major non-government employers in the City.

Table V-14
City of Norfolk, Virginia
Major Non-Government Employers in 2nd Quarter 2009

Company	Number of Employees	Product/Service
	1,000+	
Sentara Healthcare		Health Care Network
Children's Hospital of the King's Daughter		Health Care Facilities
Old Dominion University		Education
Norfolk State University		Education
Medical College of Hampton Roads		Private College
Norshipco		Shipbuilders and Repairers
Bon Secours DePaul Medical Center		Health Care Facility
Bank of America Card Services Corp.		Banking and Credit Card Service Center
Portfolio Recovery Association		Financial Recovery Services
	500 - 999	
United Services Automobile Association		Insurance Support Center
Wal-Mart		Retail
Bank of America		Banking
Maersk Line Limited		Shipping Company
Virginia International Terminal		Ports
Landmark Communications, Inc.		Newspaper and Media
Sentara Health Management		Healthcare Network
The Titan Corporation		Communication System
Farm Fresh		Retail
ODU Research Foundation		Research
American Funds Service Company		Financial Services
Tidewater Community College		Education
Electronic Data Systems Corp		Systems Analysis and Design
Dominion Enterprises		Electronic Media
7-Eleven		Retail
Tidewater Wholesale Grocery		Retail
CooperVision Inc.		Contact Lens Manufacturing
Virginia Wesleyan College		Education
CP&O LLC		Port Services
McDonald's		Retail
CMA-CGM (America), Inc.		Shipping Company
	250 - 499	
Food Lion		Retail
Personal-Touch Home Care, Inc.		Comprehensive Home Care Services
Colonna's Shipyard		Ship Builders and Repairers
General Foam Plastics Corporation		Plastic Extractions
Lake Taylor Transitional, Inc.		Health Services
Office Team		Office Staffing Services
Amer-Force Craft Services, Inc.		Craft Labor to the Marine and Industrial Sectors
Metro Machine Corporation		Ship Builders and Repairers
Transit Management Company		Transportation

Source: Virginia Employment Commission.

Table V-15 is a representation of selected business and residential growth or expansion for the period 2009 - 2010.

Table V-15
City of Norfolk, Virginia
Business Growth
A Sampling of Business Activity in 2009-2010

Company	Type	E/N	C/D/A	Investment (mil)
201 Twenty-One	Mixed-use residential apartments & retail	N	D	40.00
Bay Village Condominiums	Senior only residences	N	D	15.00
Belmont at Freemason	Apartments	N	C	45.00
Capital Group/American Funds	Financial	E	D	8.00
CMA CGM	Americas Headquarters, shipping line	E	D	1.10
Commander Corporate Center	Second office building for spec	N	D	12.00
Court Complex	New combined Hall of Justice	N	A	108.00
Crowne Plaza Hotel (formerly Radisson)	New ownership making renovations	E	D	4.00
EVMS	New education and research building	N	A	80.00
Fort Norfolk Plaza	Mixed-use medical office, retail	N	D	70.00
Harbor Heights	Mixed-use residential, grocery and TCC offices	N	C	38.00
Harris Teeter Expansion	Demolition of existing and construction of new grocery store	E	A	n/a
Kroc Center	Community center	N	A	84.00
Lamberts Point	Recreation facility	N	D	7.60
Light Rail	Starter Line	N	D	288.00
MacArthur Memorial	Expansion	E	D	5.00
Midtown Office Tower	New office tower	N	A	33.00
Norfolk State University (NSU)	Library and student center	N	A	75.00
Old Dominion University (ODU)	Innovations Research Park II	N	C	22.50
Old Dominion University (ODU)	Allocated from Governor's budget request	N	A	86.00
Old Dominion University (ODU)	Bookstore	N	C	8.50
Old Dominion University (ODU)	Art galleries and parking deck	N	C	11.00
Old Dominion University (ODU)	Student fitness center	N	C	28.00
Old Dominion University (ODU)	Football stadium renovation and new parking garage	E	C	24.80
Old Point National Bank	New branch office in Ghent	N	D	2.80
P & P, LLC	Office/flex (4th building on site)	E	C	1.00
Residence Inn by Marriott	Extended-stay hotel	N	C	35.00
Riverside Terrace / Westport	Phasing townhouses and condominiums	N	D	80.00
Sentara Offices	48,000 sq ft office Poplar Halls	N	D	9.00
Sentara Garage	Colley Avenue	N	D	15.00
Sheraton Hotel	Renovation	E	C	32.00
SouthWind Apartment Community	120 apartments	N	C	15.00
TCC	Student center	N	A	17.60
The Franklin	Mixed-use upscale condominiums and professional offices	N	C	15.00
The Market at Ghent	Expansion to existing Farm Fresh store	E	C	3.00
The River House Apartments	197 apartments	N	C	36.00
Union Mission Building	Renovation into 60+ apartments	N	A	22.00
Virginia Arts Festival Headquarters	Offices and rehearsal studios	N	D	7.50
Virginia Zoo	Trail of the Tiger	E	D	11.00
Wells Fargo Center	Mixed-use Class A office, retail and residential	N	D	170.00
Westin Hotel & Conference Center	Hotel and conference center	N	D	150.00

Source: Economic Development Department, City of Norfolk, Virginia.

E/N – Expansion or New; C/D/A – Completed, Under Development, or Announced

Military

The presence of the military in Norfolk has a significant impact on the local economy. The City is the home of the world's largest naval complex, with headquarters for Commander in Chief of U.S. Atlantic Command, NATO's Supreme Allied Command Atlantic, Commander in Chief U.S. Atlantic Fleet and other major naval commands. Hampton Roads is the largest center of Coast Guard units in the world with the Atlantic Area Command and Maritime Defense Zone Atlantic in Portsmouth and its Maintenance & Logistic Command Atlantic headquarters in downtown Norfolk.

The U.S. Navy's direct economic impact on the region was \$14.6 billion in 2008, comprised of a total annual payroll of \$7.5 billion and the balance consumed on goods and services and procurement contracts. The City expects to continue as a center of activity for the U.S. Navy with current total personnel (military and civilian) in excess of 72,500. There were 84,267 active-duty U.S. Navy military personnel in Hampton Roads in 2008, of which 66% were assigned to Norfolk.

The Navy's newest local command, the Navy Reserve Forces Command, relocated to Norfolk from New Orleans in 2009. The Reserve Forces Command is the global headquarters for more than 68,000 reserve sailors and brought approximately 450 military and civilian employees to Hampton Roads. The Command is responsible for readiness, oversight, manpower management, logistics, mobilization and training of reserve sailors.

Although the military remains a key part of Hampton Roads' economy, the region has successfully diversified its economy in recent years.

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APPENDIX A

CITY OF NORFOLK, VIRGINIA
GENERAL PURPOSE FINANCIAL
STATEMENTS FOR THE FISCAL YEAR
ENDED JUNE 30, 2009

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KPMG LLP
Suite 2100
999 Waterside Drive
Norfolk, VA 23510

Independent Auditors' Report

The Honorable Members of City Council
City of Norfolk, Virginia:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Norfolk, Virginia (the City) as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis and the other required supplementary information are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

December 22, 2009

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

(Unaudited)



CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2009

The management of the City of Norfolk (the "City") provides this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009. As readers, you are encouraged to read this discussion and analysis in conjunction with the transmittal letter and City's financial statement information included in this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of fiscal year 2009 by \$700,072,384 (net assets). Of this amount, \$106,934,279 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. Total net assets decreased by \$39,003,364 and unrestricted net assets decreased by \$56,369,041.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$175,135,328, a decrease of \$59,228,909 in comparison with the prior year. This decrease was primarily attributable to a combination of capital outlays of \$104,369,309 and debt principal and interest payments of \$69,952,206 during the year.
- At the end of the current fiscal year, the total unreserved fund balance for the general fund was \$50,784,442 or 6.14 percent of the general fund budget.
- The City's total outstanding bonded indebtedness increased by \$36,860,569 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The financial section of this report includes management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements are comprised of three components: 1) government-wide financials statements, 2) fund financial statements and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2009

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are mainly supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, economic development, public health, and culture and recreation. The business-type activities of the City include Water Utility, Wastewater Utility and Parking Facilities enterprise activities.

The government-wide financial statements include not only the City itself (known as the primary government), but also the following legally separate component units for which the City is financially accountable: Norfolk Public Schools ("School Board") and the Norfolk Community Services Board ("CSB"). Financial information for these component units is reported separately from the financial information presented for the primary government and can be found on pages 28 - 29 of this report.

Fund financial statements – A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In the basic financial statements, the emphasis is on major funds. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of a fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers can better understand the long-term impact of the government's near-term financing decisions. A reconciliation between the

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2009

government-wide financial statements and the fund financial statements is included as part of the basic financial statements.

The City maintains 16 individual governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balance for the general, capital projects and debt service funds, all of which are considered major funds. All other governmental funds are combined in a single, aggregated presentation. Individual fund data for each of the non-major funds are presented separately in the form of combining statements elsewhere in this report.

The City adopts an annual budget for its various funds. To demonstrate compliance with this budget, budgetary comparison statements have been provided in this report.

The basic governmental fund financial statements can be found in pages 19 - 22 of this report.

Proprietary funds – The City maintains two types of proprietary funds: enterprise and internal service.

The enterprise funds are used to account for its Water Utility, Wastewater Utility, and Parking Facilities operations. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Internal service funds are an accounting mechanism to accumulate and allocate costs internally among the City's functions. The City has two internal service funds, Fleet Maintenance and Storehouse operations. Because both of these services predominantly benefit governmental functions, they are included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements only in more detail. The proprietary fund financial statements provide separate information for the Water and Wastewater Utilities and the Parking Facilities operations, all of which are considered major funds. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in this report.

The basic proprietary fund financial statements can be found on pages 23 - 25 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The fiduciary funds of the City include the City's pension trust fund, the Commonwealth of Virginia agency fund and another agency fund. Fiduciary funds are

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2009

not included in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used in proprietary funds.

The fiduciary fund financial statements can be found in pages 26 - 27 of this report.

Notes to the financial statements – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 30.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on pages 84 - 87 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented on pages 90 - 93 of this report.

Government-wide Financial Analysis

Over time, net assets may serve as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$700,072,384.

By far, the largest portion of the City's net assets, \$489,435,014 is its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any outstanding debt related to acquiring the assets. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, approximately 14.81 percent represent resources that are subject to external restrictions on how they may be used. The remaining balance of \$106,934,279 of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2009

Summary of the City of Norfolk's Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 265,480,338	\$ 332,622,875	\$ 129,092,498	\$ 139,159,421	\$ 394,572,836	\$ 471,782,296
Capital Assets	842,405,691	827,222,677	787,317,481	737,541,174	1,629,723,172	\$ 1,564,763,851
Total Assets	<u>1,107,886,029</u>	<u>1,159,845,552</u>	<u>916,409,979</u>	<u>876,700,595</u>	<u>2,024,296,008</u>	<u>2,036,546,147</u>
Long-Term Liabilities	675,899,591	668,105,265	576,632,016	546,309,678	\$ 1,252,531,607	\$ 1,214,414,943
Other Liabilities	52,448,203	68,760,430	19,243,814	14,295,026	71,692,017	\$ 83,055,456
Total Liabilities	<u>728,347,794</u>	<u>736,865,695</u>	<u>595,875,830</u>	<u>560,604,704</u>	<u>1,324,223,624</u>	<u>1,297,470,399</u>
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	252,127,785	325,172,979	237,307,229	241,203,359	489,435,014	\$ 566,376,338
Restricted	64,397,008	6,890,090	39,306,083	2,506,000	103,703,091	\$ 9,396,090
Unrestricted	63,013,442	90,916,788	43,920,837	72,386,532	106,934,279	\$ 163,303,320
Total Net Assets	<u>\$ 379,538,235</u>	<u>\$ 422,979,857</u>	<u>\$ 320,534,149</u>	<u>\$ 316,095,891</u>	<u>\$ 700,072,384</u>	<u>\$ 739,075,748</u>

For governmental activities, total net assets decreased by \$43,441,622 or 10.3 percent overall during the current fiscal year. Factors that contributed to a change in total governmental net assets include cash funding of capital projects, balances carried forward and closed out encumbrances.

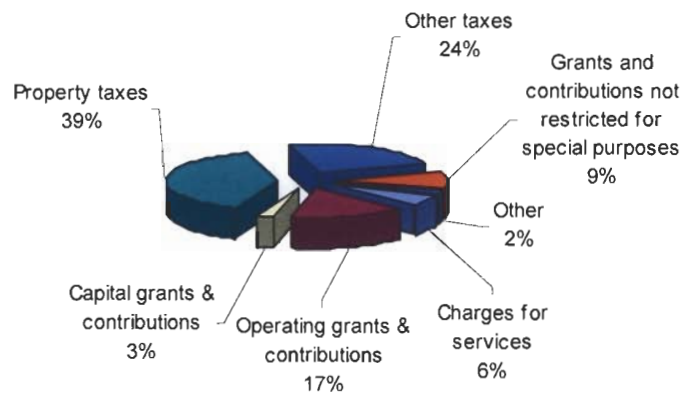
For business-type activities, net assets increased by \$4,438,258 or 1.4 percent during the fiscal year. Of this amount, \$3,034,079, \$594,576 and \$809,603 are changes attributed to the Water Utility, the Wastewater Utility and the Parking Facilities funds, respectively.

Key programmatic and functional elements of these changes in government wide net assets are demonstrated on the following page:

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2009

	Changes in the City of Norfolk's Net Assets					
	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for Services	\$ 40,435,148	\$ 40,198,559	\$ 117,627,453	\$ 119,582,149	\$ 158,062,601	\$ 159,780,708
Operating Grants & Contributions	112,419,343	112,960,555	-	-	112,419,343	112,960,555
Capital Grants & Contributions	16,933,100	-	503,658	219,018	17,436,758	219,018
General Revenues						
Property Taxes	260,640,532	240,488,270	-	-	260,640,532	240,488,270
Other Taxes	157,926,664	162,573,293	-	-	157,926,664	162,573,293
Grants and Contributions not restricted for specific purposes	60,512,536	69,352,075	-	-	60,512,536	69,352,075
Other	12,388,927	17,250,107	3,775,841	6,134,674	16,164,768	23,384,781
Total Revenues	661,256,250	642,822,859	121,906,952	125,935,841	783,163,202	768,758,700
Expenses:						
General Government	111,628,653	113,141,978	-	-	111,628,653	113,141,978
Judicial Administration	52,209,177	48,593,034	-	-	52,209,177	48,593,034
Public Safety	120,703,126	126,608,878	-	-	120,703,126	126,608,878
Public Works	134,273,985	118,887,770	-	-	134,273,985	118,887,770
Health and Public Assistance	93,494,792	95,233,711	-	-	93,494,792	95,233,711
Culture and Recreation	63,437,272	56,889,946	-	-	63,437,272	56,889,946
Community Development	10,866,691	15,345,403	-	-	10,866,691	15,345,403
Education	104,511,131	101,094,910	-	-	104,511,131	101,094,910
Interest on Long-Term Debt	23,788,236	21,457,483	-	-	23,788,236	21,457,483
Water Utility	-	-	66,990,131	64,876,844	66,990,131	64,876,844
Wastewater Utility	-	-	21,227,261	18,614,267	21,227,261	18,614,267
Parking	-	-	19,036,111	21,539,174	19,036,111	21,539,174
Total Expenses	714,913,063	697,253,113	107,253,503	105,030,285	822,166,566	802,283,398
Increase (decrease) in Net Assets before Transfers	(53,656,813)	(54,430,254)	14,653,449	20,905,556	(39,003,364)	(33,524,698)
Transfers	10,215,191	10,212,029	(10,215,191)	(10,212,029)	-	-
Increase (decrease) in Net Assets	(43,441,622)	(44,218,225)	4,438,258	10,693,527	(39,003,364)	(33,524,698)
Net Assets Beginning of Year	422,979,857	467,198,082	316,095,891	305,402,364	739,075,748	772,600,446
Net Assets End of Year	\$ 379,538,235	\$ 422,979,857	\$ 320,534,149	\$ 316,095,891	\$ 700,072,384	\$ 739,075,748

Governmental Activities: Revenues by Source



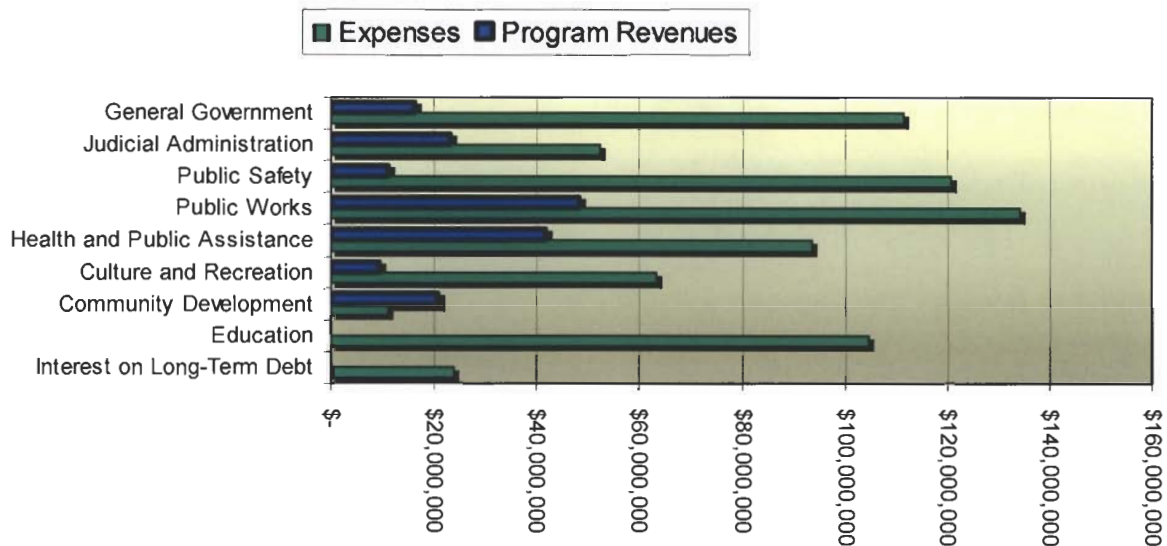
CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2009

Governmental Activities – Property taxes and other tax revenues increased 3.85 percent to \$418,567,196 and comprise 63.30 percent of total governmental revenues.

Operating grants and contributions for governmental activities ended the fiscal year at \$112,419,343. Grants and contributions not restricted for specific programs represent intergovernmental grants and contributions from State and federal agencies. For the 2009 fiscal year, the City reported \$60,512,536 in grants and contributions not restricted for specific programs which represents a decrease of \$8,839,539 or 12.75 percent over the prior year. This decrease is due to reduced funding for state and federal grant programs. Specifically, the Comprehensive Services Act (a state funded program), received \$3,118,541 less than the prior year. Federally funded programs with funding decreases included Ryan White AIDS Grant (decrease of \$1,638,620) and NRHA Homebuyer Assistance (decrease of \$532,834). Additionally, interest and investment earnings decreased \$2,517,779 or 47.44 percent over the prior year which is the result of the decrease in grants & contributions as well as interest rate declines.

Depreciation expense for governmental activities of \$73,577,016 was recorded.

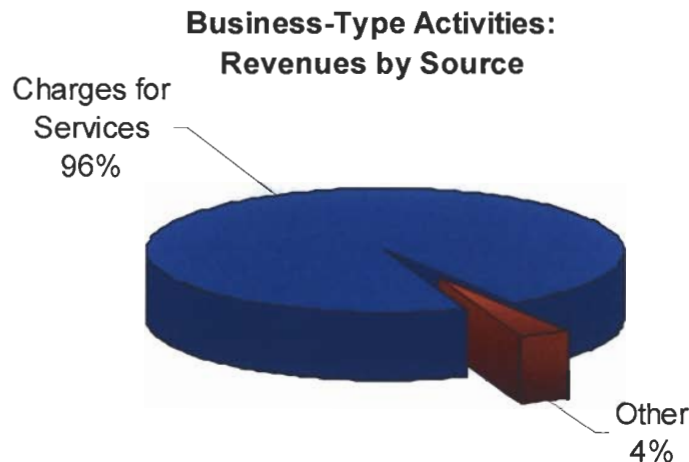
Governmental Activities
Expenses and Program Revenues



CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2009

Business-type Activities – Business-type activities increased the City's net assets by \$4,438,258. Key elements of this change are as follows:

- Revenue from charges for services for business-type activities decreased by 1.63 percent. Water utility charges for services increased \$213,918 and wastewater utility charges for services decreased \$1,791,589, respectively, as a result of rate increases offset by a decrease in water consumption of 12.9 percent. As part of the City's utility rate plan to improve utility infrastructure throughout the City, the Water and Wastewater Utility rates were increased by \$0.12/100 cubic feet and \$0.11/100 cubic feet, respectively.
- Parking revenues decreased \$377,025 or 1.85 percent from the prior year. The decrease was primarily the result of a decrease in monthly parkers to less expensive facilities as a result of the decline in the economy as well as a decrease in attendance at major events & festivals which resulted in a decrease in parking garage usage.



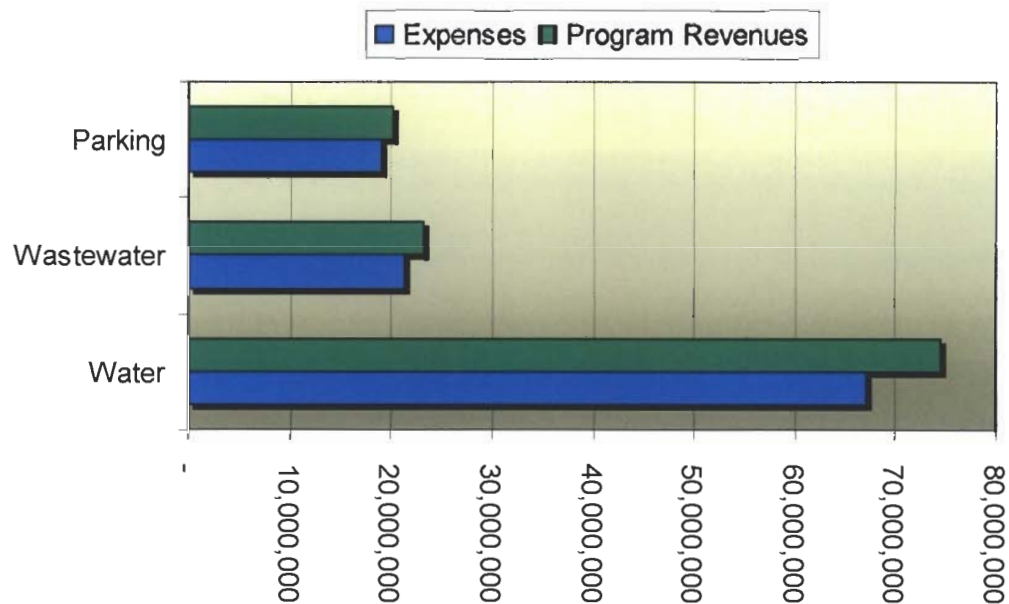
Operating expenses for Business type activities increased overall by \$2,056,923 or 2.53 percent which was primarily the result of increase utility costs and increase personnel expenditures.

The Water Utility fund increased operating expenses \$1,487,804 primarily a result of an increase in chemical costs. Chemicals increased 44 percent from the previous year.

Overall, operating expenses in the Wastewater Utility fund were level from the prior year. Plant operations and depreciation increased while the provision for bad debt, administrative and other expenses decreased.

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2009

**Business Type Activities -
Expenses and Program Revenues**



Financial Analysis of the Government's Funds

As previously noted, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$175,135,328, a decrease of \$59,228,909 or 25.3 percent. Of the total ending fund balance, \$85,877,315 or 49.0 percent is reserved. The reserved fund balance is that portion of the fund balance that is not available for new spending because it has already been committed to 1) liquidate contracts and purchase orders (\$78,887,108), 2) to generate income to pay for the perpetual care of the municipal cemetery (\$6,470,648) and 3) for a variety of other restricted purposes (\$519,559). The

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2009

remaining \$89,258,013 or 51.0 percent of ending fund balance in the City's governmental funds is available for spending at the government's discretion.

The City's primary governmental fund is its general fund. As a matter of fiscal policy, the City undesignated, unreserved fund balance is equal to five percent of the general government's and School Board's annual operating budgets, or \$41,364,015. The City designated \$9,420,427 of its fund balance for future expenditures and for its self-insured workers' compensation and general liability programs.

For the general fund, on the budgetary basis of accounting, the City ended the fiscal year with revenues below projections by \$18,365,382. Total expenditures were less than appropriations by \$15,870,896.

General fund financial and budgetary highlights of the 2009 fiscal year include:

- Other local tax collections were less than budgetary projections by \$9,781,987. A significant portion of this shortfall was created from weaker collections from sales, communication and restaurant food taxes as a result of the economic downturn;
- As a result of the decline in interest rates, interest earned on investments was less than budgetary projections by \$4,288,886;
- Miscellaneous revenue exceeded budgetary projections by \$2,286,899 as a result of higher than expected collections.
- Aid from the Commonwealth for public assistance exceeded budgetary projections by \$2,121,947 as a result of an increase in reimbursement from the State;
- Aid from the Commonwealth for education was less than budgetary projections by \$7,170,039 due to a one time revenue deferral allowed by the Commonwealth. Approximately \$6,100,000 will be carried over to FY10 to fund projected budget shortages; and
- Federal categorical aid in support of the school system exceeded budgetary projections by \$1,077,798.
- Expenditure savings included savings of \$6,071,443 in education as a result of a slow down in spending due to the State permitting funds to be carried over into the next fiscal year as well as a reduction in departmental support expenses of \$5,106,645 as a result of a city-wide savings strategy due to the economic downturn. Additional savings in expenditures of \$5,081,755 occurred in the debt service budget due to timing of bond payments as well as bonds that were authorized but not issued.
- Expenditure increases were slightly offset by increases of \$3,527,510 in Police for overtime costs.

There were no supplemental appropriations or amendments of the total 2009 general fund budget.

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2009

The Capital Projects fund, another major governmental fund, expended \$104,369,309 on major capital improvements during the fiscal year. The fund had a total fund balance of \$76,925,646. In the 2009 fiscal year, the City sold \$46,792,333 in general obligation bonds to fund these expenditures.

The Debt Service fund does not have any assets, liabilities or net assets at fiscal year end. During the year \$69,952,206 were transferred in from various funds to pay for an equal amount of debt service requirements.

Proprietary Funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

Capital Asset and Debt Administration

Capital Assets – The City's investment in capital assets, net of related debts, for its governmental and business-type activities as of June 30, amounted to \$489,435,014. The investment in capital assets includes land, buildings, improvements, infrastructure (streets, roads, bridges, highways, etc) machinery, and equipment. Infrastructure assets represent 24.85 percent of total general governmental assets.

Some of the major capital asset events during the current fiscal year include:

- Continued construction on the City's 7.4 mile light rail project;
- Acquisition of \$16 million of property to support strategic development projects to include Southside initiatives and rights-of-way for light rail development;
- Investment of \$10 million during the year for improvements to Town Point Park;
- Expenditures of \$3 million overall in total school-related capital projects;
- \$9 million of various neighborhood conservation efforts continued in the City;
- Investment of nearly \$5 million in improvements to neighborhood streets throughout the city;
- Investment of well over \$5 million during the year for renovations to the courts; and
- \$8.2 million for the Zoo Master Plan which mainly includes the creation of new exhibits.

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2009

Summary of the City of Norfolk's Capital Assets
(net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Land	\$ 60,663,365	\$ 40,351,264	\$ 48,429,029	\$ 48,287,029	\$ 109,092,394	\$ 88,638,293
Buildings & equipment	414,380,257	398,558,052	652,224,978	632,012,058	\$ 1,066,605,235	\$ 1,030,570,110
Improvements other than buildings	17,205,426	16,418,778	4,073,488	4,203,933	\$ 21,278,914	\$ 20,622,711
Construction in progress	140,855,973	114,761,897	82,589,986	53,038,154	\$ 223,445,959	\$ 167,800,051
Infrastructure	209,300,671	257,132,686	-	-	\$ 209,300,671	\$ 257,132,686
Total	<u>\$ 842,405,692</u>	<u>\$ 827,222,677</u>	<u>\$ 787,317,481</u>	<u>\$ 737,541,174</u>	<u>\$ 1,629,723,173</u>	<u>\$ 1,564,763,851</u>

Additional information on the City's capital assets can be found in Note VII on pages 50 - 51 of this report.

Long-term Debt – At June 30, 2009 the City (including the enterprise funds) had total bonded debt outstanding of \$1,152,909,638. Of this amount, \$736,163,200 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2009

A summary of the City's outstanding bonded debt is as follows:

City of Norfolk's Bonded Debt

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 577,936,007	\$ 571,138,165	\$158,227,193	\$ 124,092,071	\$ 736,163,200	\$ 695,230,236
Revenue bonds	-	-	416,746,438	420,818,833	416,746,438	420,818,833
Total	<u>\$ 577,936,007</u>	<u>\$ 571,138,165</u>	<u>\$574,973,631</u>	<u>\$ 544,910,904</u>	<u>\$1,152,909,638</u>	<u>\$1,116,049,069</u>

The City's total debt outstanding increased by \$36,860,569 (3.3 percent) during the current fiscal year. The City issues debt, in part, based on its cash flow capital needs which is the primary factor for this increase.

The development of the City's 5-year Capital Improvement Program and its related debt are guided by various debt affordability practices. These practices limit total tax supported (not supported by specific fees or charges) debt as follows:

- Bonded debt service requirements will not exceed ten percent of general governmental expenditures; and
- Bonded debt outstanding will not exceed 3.5 percent of the assessed value of taxable real property in the City.

Business type activities debt practices are governed by revenue bond indentures in addition to various rate affordability measures.

Credit ratings for the City's general obligation and water revenue bond programs are as follows:

Bonding Program	Fitch Ratings	Standard & Poor's	Moody's Investors Service
General Obligation	AA	AA	A1
Water Revenue	AA	AA+	A1

The City's parking and wastewater systems do not maintain an underlying credit rating.

State statutes limit the amount of general obligation debt the City may issue to ten percent of its total assessed valuation. The current debt limitation for the City is \$1,939,578,939 which is significantly in excess of the City's general obligation debt outstanding.

Additional information on the City's long-term debt can be found in Note VIII on pages 52- 61 of this report.

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2009

Economic Factors and Next Year's Budgets and Rates

- Taxable assessments for commercial and housing property markets are projected to grow overall in the 2010 fiscal year by 2.4 percent;
- Other local taxes have not experienced a significant downturn and some are predicted to slightly increase. The following reflects major other tax revenue projections:
 - Sales taxes – 6.5 percent decrease;
 - Business license taxes – no change;
 - Restaurant food taxes – no change;
 - Hotel and motel tax – 2.7 percent decrease; and
- Rate increases for both the Water and Wastewater utility funds continue to provide necessary funding to finance capital improvements.

All of these factors were considered in preparing the City's budget for fiscal year 2010.

The City appropriated \$470,000 of its General Fund balance for use in the fiscal year 2010 budget for non-recurring types of expenditures.

There were no changes in tax rates for the 2010 fiscal year with the exception of a \$.02 decrease in real estate taxes for the downtown improvement district. The following represents changes in fees implemented with the budget for the 2010 fiscal year:

Description	FY 2010 Approved	FY 2009 Approved
Wastewater Fees	\$3.01/100 cubic feet	\$2.89/100 cubic feet
Water Fees	\$3.74/100 cubic feet	\$3.61/100 cubic feet
Stormwater Fees – Residential	\$8.19/month	\$8.09/month
Stormwater Fees – Commercial	\$5.61/month per 2,000 sq. ft.	\$5.54/month per 2,000 sq. ft.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance and Business Services, 810 Union Street, Suite 600, Norfolk, Virginia, 23510.

BASIC FINANCIAL STATEMENTS



CITY OF NORFOLK, VIRGINIA

Exhibit 1

Statement of Net Assets
June 30, 2009

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and short term investments	\$ 169,525,968	\$ 47,236,013	\$ 216,761,981	\$ 41,807,127
Restricted cash held with fiscal agent	97,460	6,254,543	6,352,003	31,029
Investments	9,957	-	9,957	1,115,880
Receivables, net				
Taxes	52,235,141	-	52,235,141	-
Accounts	7,012,165	18,045,357	25,057,522	1,620,770
Notes	23,230	-	23,230	-
Accrued investment income	8,788	6,108	14,896	17,816
Other	-	115,446	115,446	-
Internal balances	4,568,587	(4,568,587)	-	659,605
Due from other governments	29,417,846	-	29,417,846	26,992,464
Due from component units	15,998	-	15,998	-
Inventories	2,388,877	2,094,406	4,483,283	697,923
Restricted cash and investments	-	59,909,212	59,909,212	-
Other assets	176,321	-	176,321	164,461
Non-depreciable capital assets	201,519,337	131,019,015	332,538,352	5,432,106
Depreciable capital assets, net	640,886,354	656,298,466	1,297,184,820	65,373,822
Total assets	1,107,886,029	916,409,979	2,024,296,008	143,913,003
LIABILITIES				
Vouchers payable	25,317,654	8,310,072	33,627,726	11,697,235
Employees withholdings	920,692	-	920,692	-
Contract retainage	1,578,642	3,400,325	4,978,967	216,679
Accrued interest	6,951,857	3,212,584	10,164,441	-
Accrued payroll	4,983,849	452,668	5,436,517	25,579,390
Accrued expenses	7,060	-	7,060	-
Due to other agencies	-	-	-	1,885,742
Due to other governments	7,778,650	-	7,778,650	-
Due to other primary gov/component units	659,605	-	659,605	-
Other current liabilities	3,692,059	1,213,118	4,905,177	-
Unearned revenue	558,135	-	558,135	6,113,704
Liabilities payable from restricted assets	-	2,655,047	2,655,047	-
Long-term liabilities				
Due within one year	88,837,461	71,946,284	160,783,745	9,785,608
Due in more than one year	587,062,130	504,685,732	1,091,747,862	8,534,990
Total liabilities	728,347,794	595,875,830	1,324,223,624	63,813,348
NET ASSETS				
Invested in capital assets, net of related debt	252,127,785	237,307,229	489,435,014	70,805,928
Restricted for:				
Perpetual care - nonexpendable	6,474,531	-	6,474,531	-
Capital projects	57,437,477	39,306,083	96,743,560	973,888
Retirees' life insurance-future expenditures	485,000	-	485,000	-
Other programs	-	-	-	824,306
Unrestricted	63,013,442	43,920,837	106,934,279	7,495,533
Total net assets	\$ 379,538,235	\$ 320,534,149	\$ 700,072,384	\$ 80,099,655

The accompanying notes are an integral part of the basic
financial statements.

CITY OF NORFOLK, VIRGINIA
Statement of Activities
For the Year Ended June 30, 2009

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grant Contributions	Capital Grant Contributions	Primary Government		Component Units
				Governmental Activities	Business-Type Activities	
Primary government:	Expenses					
Governmental activities:						
General government	\$ 111,628,653	\$ 14,242,115	\$ -	\$ (95,586,765)	\$ -	\$ -
Judicial administration	52,209,177	22,239,258	-	(29,035,324)	-	-
Public safety	120,703,126	8,238,646	-	(109,667,574)	-	-
Public works	134,273,985	21,156,506	-	(86,118,383)	-	-
Health and public assistance	93,494,792	41,560,632	-	(51,800,265)	-	-
Culture and recreation	63,437,272	2,916,005	-	(54,288,991)	-	-
Community development	10,866,691	1,538,606	-	9,671,197	-	-
Education	104,511,131	-	-	(104,511,131)	-	-
Interest on long-term debt	23,788,236	-	-	(23,788,236)	-	-
Total governmental activities	714,913,063	112,419,343	16,933,100	(545,125,472)	-	-
Business-type activities:						
Water	66,990,131	-	503,658	-	7,967,433	-
Wastewater	21,227,261	-	-	-	1,898,186	-
Parking facilities	19,036,111	-	-	-	1,011,989	-
Total business-type activities	107,253,503	-	503,658	-	10,877,608	-
Total primary government	\$ 822,166,566	\$ 112,419,343	\$ 17,436,758	\$ (545,125,472)	\$ (534,247,864)	\$ -
Component units:						
Norfolk Public Schools	\$ 387,392,289	\$ 229,557,400	\$ 7,114,562			\$ (144,939,217)
Community Services Board	24,267,843	13,349,141	-			(3,138,499)
Total component units	\$ 411,660,132	\$ 242,906,541	\$ 7,114,562			(148,077,716)
General revenues:						
Taxes:						
General property taxes - real estate and personal property				260,640,532	-	-
Consumers' utility taxes				44,141,697	-	-
Sales and use taxes				29,483,735	-	-
Restaurant food taxes				28,078,279	-	-
Business license taxes				27,692,126	-	-
Hotel/Motel taxes				7,791,878	-	-
Cigarette taxes				7,332,650	-	-
Admissions taxes				3,670,627	-	-
Motor vehicle licenses				4,006,383	-	-
Franchise, recordation and other miscellaneous local taxes				5,730,289	-	-
Interest and investment earnings				2,788,334	925,264	1,674,051
Grants and contributions not restricted to specific programs				60,512,536	-	-
Miscellaneous				9,599,593	2,850,557	220,025
Commonwealth of Virginia				-	-	30,102,433
Gain (loss) from sale of assets				-	-	3,681
Local government				-	-	108,562,131
Transfers						
Total general revenues and transfers				10,215,191	(10,215,191)	-
Changes in net assets				501,683,860	(6,439,350)	140,562,321
Net assets - beginning				(43,441,622)	4,438,258	(7,515,395)
Adjustment to beginning net assets - implementation of GASB 49				422,979,857	316,086,891	87,841,346
Net assets - ending				\$ 379,538,235	\$ 320,534,149	\$ 80,096,655

The accompanying notes are an integral part of the basic financial statements.

CITY OF NORFOLK, VIRGINIA
Balance Sheet - Governmental Funds
June 30, 2009

Exhibit A-1

	Major Funds			Non-major	Total
	General	Capital	Debt	Governmental	Governmental
	Fund	Projects	Service	Funds	Funds
ASSETS					
Cash and short term investments	\$ 22,299,019	\$ 116,994,068	\$ -	\$ 28,018,332	\$ 167,311,419
Investments	-	-	-	9,957	9,957
Receivables, net					
Taxes	52,235,141	-	-	-	52,235,141
Accounts	2,186,894	-	-	4,791,711	6,978,605
Notes	23,230	-	-	-	23,230
Accrued investment income	8,788	-	-	-	8,788
Due from other funds	15,526,495	8,520,851	-	21,870,049	45,917,395
Due from other governments	24,167,204	-	-	5,250,642	29,417,846
Prepays	-	-	-	15,965	15,965
Deposit with contractors	-	84,395	-	13,065	97,460
Other assets	-	-	-	160,356	160,356
Total assets	<u>\$ 116,446,771</u>	<u>\$ 125,599,314</u>	<u>\$ -</u>	<u>\$ 60,130,077</u>	<u>\$ 302,176,162</u>
LIABILITIES					
Vouchers payable	\$ 9,329,359	\$ 13,430,377	\$ -	\$ 2,250,586	\$ 25,010,322
Employee withholdings	920,692	-	-	-	920,692
Contract retainage	-	1,425,742	-	152,900	1,578,642
Accrued payroll	4,622,767	-	-	290,717	4,913,484
Accrued expenses	-	-	-	7,060	7,060
Due to other funds	1,103,750	33,043,062	-	8,931,450	43,078,262
Due to other governments	-	-	-	7,778,650	7,778,650
Due to component units	30,274	629,331	-	-	659,605
Deferred revenue	38,585,306	120,000	-	816,859	39,522,165
Other liabilities	3,228,653	25,156	-	318,143	3,571,952
Total liabilities	<u>57,820,801</u>	<u>48,673,668</u>	<u>-</u>	<u>20,546,365</u>	<u>127,040,834</u>
FUND BALANCES					
Reserved for:					
Encumbrances	7,356,528	50,986,977	-	20,543,603	78,887,108
Perpetual care	-	-	-	6,470,648	6,470,648
Capital projects	-	-	-	34,559	34,559
Retirees' life insurance - future expenditures	485,000	-	-	-	485,000
Unreserved, reported in:					
General Fund - Designated for future expenditures	9,420,427	25,938,669	-	-	35,359,096
General Fund - Undesignated	41,364,015	-	-	-	41,364,015
Special Revenue Funds	-	-	-	12,534,902	12,534,902
Total fund balances	<u>58,625,970</u>	<u>76,925,646</u>	<u>-</u>	<u>39,583,712</u>	<u>175,135,328</u>
Total liabilities and fund balances	<u>\$ 116,446,771</u>	<u>\$ 125,599,314</u>	<u>\$ -</u>	<u>\$ 60,130,077</u>	<u>\$ 302,176,162</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF NORFOLK, VIRGINIA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2009

Exhibit A-2

Fund balances--total governmental funds	\$	175,135,328
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Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported
in the funds :

	Cost of capital assets	2,092,886,197
	Contributed Capital Assets	16,933,100
	Accumulated depreciation	<u>(1,272,918,738)</u>
		836,900,559

Other long-term assets are not available to pay for
current-period expenditures and therefore are
deferred in the funds :

	Adjustment for deferred revenue	38,844,030
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Long-term liabilities, including bonds payable, are not
due and payable in the current period and therefore
are not reported in the funds :

	Bonds and notes payable	(578,936,007)
	Unamortized Bond premium	(9,807,006)
	Capital leases	(1,529,811)
	Retirement contribution	(25,196,244)
	Other post employment benefits	(7,203,494)
	Compensated absences	(16,260,733)
	Workers' compensation and claims liability	(34,507,189)
	Other	(1,663,136)
	Accrued interest payable	<u>(6,951,857)</u>
		(682,055,477)

Internal service funds		10,713,795
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Net assets of governmental activities	\$	<u><u>379,538,235</u></u>
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The accompanying notes are an integral part of the basic financial statements.

CITY OF NORFOLK, VIRGINIA

Exhibit A-3

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For Fiscal Year Ended June 30, 2009

	Major Funds			Non-major Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects	Debt Service		
REVENUES					
General property taxes	\$ 249,021,469	\$ -	\$ -	\$ 2,982,200	\$ 252,003,669
Other local taxes	149,143,513	-	-	8,783,151	157,926,664
Permits and licenses	4,011,771	-	-	-	4,011,771
Fines and forfeitures	1,259,775	-	-	-	1,259,775
Use of money and property	6,468,854	1,264,961	-	598,739	8,332,554
Charges for services	20,382,047	-	-	19,963,418	40,345,465
Miscellaneous	6,323,499	3,218,696	-	3,369,075	12,911,270
Recovered costs	8,952,032	-	-	-	8,952,032
Intergovernmental	123,889,498	-	-	25,884,455	149,773,953
Total revenues	<u>569,452,458</u>	<u>4,483,657</u>	<u>-</u>	<u>61,581,038</u>	<u>635,517,153</u>
EXPENDITURES					
Current operating:					
General government	102,304,247	-	-	121,220	102,425,467
Judicial administration	47,316,777	-	-	3,030,330	50,347,107
Public safety	107,927,615	-	-	10,145,664	118,073,279
Public works	38,806,007	-	-	17,340,092	56,146,099
Health and public assistance	65,330,416	-	-	26,317,592	91,648,008
Culture and recreation	41,805,449	-	-	10,443,236	52,248,685
Community development	6,579,369	-	-	3,319,391	9,898,760
Education	104,511,131	-	-	-	104,511,131
Debt service:					
Principal	-	-	47,607,092	485,000	48,092,092
Interest and other charges	-	-	22,345,114	1,320,837	23,665,951
Capital outlay	-	104,369,309	-	522,800	104,892,109
Total expenditures	<u>514,581,011</u>	<u>104,369,309</u>	<u>69,952,206</u>	<u>73,046,162</u>	<u>761,948,688</u>
Excess (deficiency) of revenues over expenditures	<u>54,871,447</u>	<u>(99,885,652)</u>	<u>(69,952,206)</u>	<u>(11,465,124)</u>	<u>(126,431,535)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds of refunding bonds	-	-	16,000,392	-	16,000,392
Issuance of debt	8,487,667	46,792,333	-	-	55,280,000
Payment to bond refunding escrow agent	-	-	(16,000,392)	-	(16,000,392)
Premium on bonds	-	1,707,435	-	-	1,707,435
Transfers in	12,948,230	6,753,585	69,952,206	15,986,531	105,640,552
Transfers out	<u>(85,652,562)</u>	<u>(132,530)</u>	<u>-</u>	<u>(9,640,269)</u>	<u>(95,425,361)</u>
Total other financing sources and uses	<u>(64,216,665)</u>	<u>55,120,823</u>	<u>69,952,206</u>	<u>6,346,262</u>	<u>67,202,626</u>
Net changes in fund balances	<u>(9,345,218)</u>	<u>(44,764,829)</u>	<u>-</u>	<u>(5,118,862)</u>	<u>(59,228,909)</u>
Fund balances--beginning	<u>67,971,188</u>	<u>121,690,475</u>	<u>-</u>	<u>44,702,574</u>	<u>234,364,237</u>
Fund balances--ending	<u>\$ 58,625,970</u>	<u>\$ 76,925,646</u>	<u>\$ -</u>	<u>\$ 39,583,712</u>	<u>\$ 175,135,328</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF NORFOLK, VIRGINIA

Exhibit A-4

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2009**

Net change in fund balances--total governmental funds		\$ (59,228,909)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the asset.		
	Add capital acquisitions net of disposals	71,813,343
	Contributed Capital Assets	16,933,100
	Subtract depreciation expense	(73,241,731)
		15,504,712
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.		8,675,945
Bond and note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Asset.		
	Add debt repayment	48,092,092
	Additional principal payment on QZAB bonds	50,296
	General obligation bond proceeds	(55,280,000)
		(7,137,612)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		
	Change in non-capital long-term liabilities (Note VIII)	(3,605,393)
	Principal pay down on capital leases	1,755,630
	Principal pay down on note payables	1,000,000
	Accrued interest payable	(33,428)
	Premium on refunding debt	339,769
		(543,422)
Internal service funds are used by management to charge the costs of of certain services to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activity.		(712,336)
Change in net assets of Governmental activities		<u>\$ (43,441,622)</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF NORFOLK, VIRGINIA
Statement of Fund Net Assets - Proprietary Funds
June 30, 2009

Exhibit B-1

	Business-Type Activities				Governmental Activities- Internal Service Funds
	Water	Waste- Water	Parking Facilities	Totals	
ASSETS					
Current assets:					
Cash and short term investments	\$ 29,216,859	\$ 10,057	\$ 18,009,097	\$ 47,236,013	\$ 2,214,549
Restricted cash held with fiscal agent	114,904	204,568	5,935,071	6,254,543	-
Receivables, net					
Accounts	9,157,426	1,954,988	1,367,881	12,480,295	33,560
Unbilled accounts	4,226,869	987,990	350,203	5,565,062	-
Accrued investment income	6,108	-	-	6,108	-
Other	115,000	446	-	115,446	-
Internal balances	-	-	-	-	2,052,021
Due from component unit	-	-	-	-	15,998
Inventories	1,627,194	46,488	420,724	2,094,406	2,388,877
Other assets	-	-	-	-	-
Restricted cash and investments	38,053,761	16,935,099	4,920,352	59,909,212	-
Total current assets	82,518,121	20,139,636	31,003,328	133,661,085	6,705,005
Noncurrent assets:					
Capital assets:					
Land and improvements	34,325,172	17,837,455	78,856,388	131,019,015	415,000
Buildings and equipment	548,398,331	205,715,552	136,354,683	890,468,566	10,656,683
Accumulated depreciation	(144,750,965)	(45,625,222)	(43,793,913)	(234,170,100)	(5,566,551)
Capital assets, net	437,972,538	177,927,785	171,417,158	787,317,481	5,505,132
Total assets	520,490,659	198,067,421	202,420,486	920,978,566	12,210,137
LIABILITIES					
Current liabilities:					
Vouchers payable	3,075,416	2,999,729	2,234,927	8,310,072	307,439
Contract retainage	794,072	680,196	1,926,057	3,400,325	-
Accrued interest	112,682	1,123,189	1,976,713	3,212,584	-
Accrued payroll	281,198	96,204	75,266	452,668	70,365
Internal balances	3,369,643	932,888	266,056	4,568,587	322,567
Obligations for employees retirement system	1,696,500	528,888	409,080	2,634,468	448,272
Current portion of bonds payable	12,232,578	7,010,615	48,457,133	67,700,326	-
Liabilities payable from restricted assets	2,655,047	-	-	2,655,047	-
Compensated absences	656,331	191,775	123,384	971,490	244,948
Claims and judgments liability	640,000	-	-	640,000	-
Other current liabilities	520,744	204,304	488,070	1,213,118	5,082
Total current liabilities	26,034,211	13,767,788	55,956,686	95,758,685	1,398,673
Noncurrent liabilities:					
General obligation bonds payable	6,594,840	92,599,574	5,412,510	104,606,924	-
Revenue bonds payable	300,897,242	13,092,438	83,982,027	397,971,707	-
Compensated absences	341,367	149,161	179,029	669,557	97,669
Other long-term liabilities	1,106,000	167,397	164,147	1,437,544	-
Total noncurrent liabilities	308,939,449	106,008,570	89,737,713	504,685,732	97,669
Total liabilities	334,973,660	119,776,358	145,694,399	600,444,417	1,496,342
NET ASSETS					
Invested in capital assets, net of related debt	135,262,265	65,225,158	36,819,806	237,307,229	5,500,050
Restricted - capital projects	14,769,879	16,935,099	7,601,105	39,306,083	-
Unrestricted	35,484,855	(3,869,194)	12,305,176	43,920,837	5,213,745
Total net assets	\$ 185,516,999	\$ 78,291,063	\$ 56,726,087	\$ 320,534,149	\$ 10,713,795

The accompanying notes are an integral part of the basic financial statements

CITY OF NORFOLK, VIRGINIA

Exhibit B-2

Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For Year Ended June 30, 2009

	Business-Type Activities				Governmental
	Water	Waste- Water	Parking Facilities	Totals	Internal Service Funds
Operating revenues:					
Charges for services	\$ 74,453,906	\$ 23,125,447	\$ 20,048,100	\$ 117,627,453	\$ 14,117,880
Miscellaneous	2,666,962	183,595	-	2,850,557	101,374
Total operating revenues	<u>77,120,868</u>	<u>23,309,042</u>	<u>20,048,100</u>	<u>120,478,010</u>	<u>14,219,254</u>
Operating expenses:					
Personal services	13,972,816	4,687,564	8,035,974	26,696,354	3,476,046
Cost of goods sold	-	-	-	-	8,724,450
Plant operations	6,844,241	2,491,899	1,020,356	10,356,496	279,678
Chemicals	4,963,652	120,473	-	5,084,125	-
Provision for bad debts	419,459	385,961	-	805,420	496,567
Depreciation	11,335,890	4,361,725	3,830,472	19,528,087	335,285
Retirement and OPEB contribution	2,240,845	702,191	513,011	3,456,047	564,006
Administrative expenses	1,710,050	1,459,623	322,457	3,492,130	-
Other	10,656,564	2,450,452	870,416	13,977,432	1,029,570
Total operating expenses	<u>52,143,517</u>	<u>16,659,888</u>	<u>14,592,686</u>	<u>83,396,091</u>	<u>14,905,602</u>
Operating income (loss), net	<u>24,977,351</u>	<u>6,649,154</u>	<u>5,455,414</u>	<u>37,081,919</u>	<u>(686,348)</u>
Nonoperating revenues (expenses):					
Interest income, net of interest capitalized	899,684	12,795	12,805	925,284	10,052
Interest expense and fiscal charges	(14,826,222)	(4,484,588)	(4,434,666)	(23,745,476)	-
Loss on sale or disposal of capital assets	(20,392)	(82,785)	(8,759)	(111,936)	(36,040)
Total nonoperating revenues (expenses)	<u>(13,946,930)</u>	<u>(4,554,578)</u>	<u>(4,430,620)</u>	<u>(22,932,128)</u>	<u>(25,988)</u>
Net income (loss) before contributions and transfers	11,030,421	2,094,576	1,024,794	14,149,791	(712,336)
Capital contribution	503,658	-	-	503,658	-
Transfers out	(8,500,000)	(1,500,000)	(215,191)	(10,215,191)	-
Changes in net assets	3,034,079	594,576	809,603	4,438,258	(712,336)
Total net assets - beginning	<u>182,482,920</u>	<u>77,696,487</u>	<u>55,916,484</u>	<u>316,095,891</u>	<u>11,426,131</u>
Total net assets - ending	<u>\$ 185,516,999</u>	<u>\$ 78,291,063</u>	<u>\$ 56,726,087</u>	<u>\$ 320,534,149</u>	<u>\$ 10,713,795</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF NORFOLK, VIRGINIA

Exhibit B-3

Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2009

	Business-Type Activities				Governmental Activities— Internal Service Funds
	Water	Waste- Water	Parking Facilities	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$ 75,869,912	\$ 24,313,987	\$ 19,687,728	\$ 119,871,627	\$ 14,105,227
Payments to suppliers	(12,102,164)	(2,592,630)	(476,825)	(15,171,619)	(9,432,217)
Payments to employees	(15,686,553)	(5,253,720)	(8,512,797)	(29,453,070)	(3,891,246)
Other payments	(14,711,524)	(3,966,205)	(779,598)	(19,457,327)	(987,235)
Net cash and short term investments provided by (used in) operating activities	33,369,671	12,501,432	9,918,508	55,789,611	(205,471)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Internal activity	1,271,964	(5,764,205)	(4,767,255)	(9,259,496)	(1,932,780)
Operating subsidies and transfers to other funds	(8,500,000)	(1,500,000)	(215,191)	(10,215,191)	-
Net cash used in noncapital financing activities	(7,228,036)	(7,264,205)	(4,982,446)	(19,474,687)	(1,932,780)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from capital debt	3,700,816	8,453,906	45,808,420	57,963,142	-
Capital contributions	503,658	-	-	503,658	-
Purchases of capital assets	(11,748,215)	(17,490,384)	(35,178,521)	(64,417,120)	(49,628)
Refunding of debt principal	(3,708,424)	(1,520,440)	(1,230,744)	(6,459,608)	-
Principal paid on capital debt	(11,807,732)	(6,150,117)	(3,482,958)	(21,440,807)	(2,520)
Interest paid on capital debt	(15,877,862)	(2,427,825)	(3,768,096)	(22,073,783)	-
Net cash provided by (used in) capital and related financing activities	(38,937,759)	(19,134,860)	2,148,101	(55,924,518)	(52,248)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sales and maturities of investments	14,810,423	19,633,090	1,312,800	35,756,313	-
Purchase of investments	(9,395,450)	(8,526,895)	(1,065,586)	(18,987,931)	-
Interest and dividends	1,014,374	12,795	14,384	1,041,553	10,052
Net cash provided by investing activities	6,429,347	11,118,990	261,598	17,809,935	10,052
Net increase (decrease) in cash and short term investments	(6,366,777)	(2,778,643)	7,345,761	(1,799,659)	(2,180,447)
Cash and short term investments - beginning of the year	35,698,540	2,993,268	16,598,407	55,290,215	4,394,996
Cash and short term investments - end of the year	\$ 29,331,763	\$ 214,625	\$ 23,944,168	\$ 53,490,556	\$ 2,214,549
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities:					
Operating income (loss)	\$ 24,977,351	\$ 6,649,154	\$ 5,455,414	\$ 37,081,919	\$ (686,348)
Adjustments to reconcile operating income (loss) to net cash and short term investments provided by (used in) operating activities:					
Depreciation expense	11,335,890	4,361,725	3,830,472	19,528,087	335,285
Provision for bad debt	419,459	385,961	-	805,420	496,567
Change in assets and liabilities:					
Receivables, net	(1,365,956)	1,004,945	(360,372)	(721,383)	(114,027)
Other receivables	115,000	-	-	115,000	-
Inventories	89,019	-	10,337	99,356	(129,039)
Other assets	-	-	343,716	343,716	-
Vouchers payable	(383,290)	19,742	533,195	169,647	(256,714)
Accrued payroll	635,148	175,855	160,322	971,325	12,116
Other liabilities	(2,452,950)	(95,950)	(54,576)	(2,603,476)	136,689
Net cash and short term investments provided by (used in) operating activities	\$ 33,369,671	\$ 12,501,432	\$ 9,918,508	\$ 55,789,611	\$ (205,471)
Reconciliation of Cash and Short Term Investments to the Statement of Net Assets:					
Cash and short term investments	\$ 29,216,859	\$ 10,057	\$ 18,009,097	\$ 47,236,013	\$ 2,214,549
Restricted cash with fiscal agent	114,904	204,568	5,935,071	6,254,543	-
Total cash and short term investments per statement of net assets	\$ 29,331,763	\$ 214,625	\$ 23,944,168	\$ 53,490,556	\$ 2,214,549
Noncash investing, capital, and financing activities:					
Loss on sale or disposal of capital assets	\$ (20,392)	\$ (82,785)	\$ (8,759)	\$ (111,936)	\$ (36,040)
Acquisition of capital assets through change in in contract retainage	\$ 142,971	\$ 192,926	\$ 1,704,279	\$ 2,040,176	\$ -
Acquisition of capital assets through vouchers payable	\$ 1,405,011	\$ 1,554,022	\$ (1,993,697)	\$ 965,336	\$ -
Capitalized interest, less interest earned on certain long-term construction contracts	\$ 897,276	\$ 201,953	\$ -	\$ 1,099,229	\$ -

The accompanying notes are an integral part of the basic financial statements

CITY OF NORFOLK, VIRGINIA
Statement of Fiduciary Net Assets
June 30, 2009

Exhibit C-1

	Pension Trust Employees' Retirement System	Agency Funds
ASSETS		
Cash and short term investments	\$ 12,085,854	\$ 3,405,518
Investments, fair value		
United States Government Securities	7,557,780	-
Fixed income	249,299,088	-
Balanced commingled funds	495,645,001	-
Receivables:		
Accounts, net of allowance for uncollectible accounts	55,855	13,795
Retirement contribution	28,278,984	-
Accrued investment income	1,364,103	-
Due from broker for securities sold	30,589,851	
Other	-	129,846
Total assets	<u>\$ 824,876,516</u>	<u>\$ 3,549,159</u>
LIABILITIES		
Vouchers payable	\$ 351,055	\$ 68,292
Due to brokers for securities purchased	108,989,090	-
Other liabilities	-	3,480,867
Total liabilities	<u>109,340,145</u>	<u>3,549,159</u>
NET ASSETS		
Reserved for:		
Assets held in trust for pension benefits	715,536,371	-
Total net assets	<u>\$ 715,536,371</u>	<u>\$ -</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF NORFOLK, VIRGINIA
Statement of Changes in Fiduciary Net Assets
Pension Trust Fund - Employees' Retirement System
For the Year Ended June 30, 2009

Exhibit C-2

	<u>2009</u>
Changes to net assets attributed to:	
Investment income (loss):	
Net depreciation in fair value	
of investments	\$ (159,535,165)
Interest	24,733,841
Dividends	5,413,369
Other	7,703
	<u>(129,380,252)</u>
Less investment expense	<u>(1,804,735)</u>
Net investment loss	<u>(131,184,987)</u>
Employer contributions	<u>28,278,984</u>
Total	<u>(102,906,003)</u>
 Benefit payments and expenses:	
Refunds of contributions	22,394
Benefits paid to plan members and beneficiaries	61,024,897
Administrative costs	707,784
Total	<u>61,755,075</u>
 Net decrease	 (164,661,078)
 Net assets held in trust for pension benefits:	
Beginning of year	880,197,449
End of year	<u><u>\$ 715,536,371</u></u>

The accompanying notes are an integral part of the basic
financial statements.

CITY OF NORFOLK, VIRGINIA
Statement of Net Assets - Component Units
June 30, 2009

Exhibit D-1

	Norfolk Public Schools	Norfolk Community Services Board	Total
ASSETS			
Cash and short term investments	\$ 32,406,039	\$ 9,401,088	\$ 41,807,127
Restricted cash held with fiscal agent	-	31,029	31,029
Investments	-	1,115,880	1,115,880
Receivables:			
Accounts, net of allowance for uncollectible accounts	224,898	1,395,872	1,620,770
Accrued investment income	-	17,816	17,816
Due from primary government	629,331	30,274	659,605
Due from other governments	26,992,464	-	26,992,464
Inventories	697,923	-	697,923
Other assets	-	164,461	164,461
Capital assets, net	69,644,383	1,161,545	70,805,928
Total assets	<u>130,595,038</u>	<u>13,317,965</u>	<u>143,913,003</u>
LIABILITIES			
Vouchers payable	11,128,953	568,282	11,697,235
Contract retainage	216,679	-	216,679
Accrued payroll	25,149,562	429,828	25,579,390
Unearned revenue	6,113,704	-	6,113,704
Due to other agencies	1,885,742	-	1,885,742
Current vested compensated absences	7,529,878	675,762	8,205,640
Other current liabilities	469,236	1,110,732	1,579,968
Long-term vested compensated absences	2,509,959	409,957	2,919,916
Long-term post employment benefits	3,822,574	-	3,822,574
Long-Term claims and judgments liability	1,792,500	-	1,792,500
Total liabilities	<u>60,618,787</u>	<u>3,194,561</u>	<u>63,813,348</u>
NET ASSETS			
Invested in capital assets, net of related debt	69,644,383	1,161,545	70,805,928
Restricted for:			
Capital projects	973,888	-	973,888
Other programs	28,605	795,701	824,306
Unrestricted	(670,625)	8,166,158	7,495,533
Total net assets	<u>\$ 69,976,251</u>	<u>\$ 10,123,404</u>	<u>\$ 80,099,655</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF NORFOLK, VIRGINIA
Statement of Activities - Component Units
For the Year Ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grant Contributions	Capital Grant Contributions	Norfolk Public Schools	Community Services Board
Norfolk Public Schools:						
Instructional	\$ 282,801,569	\$ 2,894,648	\$ 218,005,712	\$ -	\$ (61,901,209)	\$ -
Administration, attendance and health	13,414,243	-	-	-	(13,414,243)	-
Pupil transportation	11,181,087	-	-	-	(11,181,087)	-
Operation and maintenance	38,954,012	-	-	-	(38,954,012)	-
Information technology	8,971,559	-	-	-	(8,971,559)	-
School facilities	17,151,503	-	-	7,114,562	(10,036,941)	-
Food services	14,918,316	2,886,462	11,551,688	-	(480,166)	-
Total Norfolk Public Schools	387,392,289	5,781,110	229,557,400	7,114,562	(144,939,217)	-
Community Services Board:						
Health and public assistance	24,267,843	7,780,203	13,349,141	-	-	(3,138,499)
Total component units	\$ 411,660,132	\$ 13,561,313	\$ 242,906,541	\$ 7,114,562	(144,939,217)	-
General revenues:						
Gain on sale of capital assets					-	3,681
Interest and investment earnings					1,499,185	1,674,051
Local government					104,511,131	4,051,000
Miscellaneous					199,578	20,447
Commonwealth of Virginia					30,102,433	-
Total general revenues					136,312,327	4,249,994
Changes in net assets					(8,626,890)	1,111,495
Net assets--beginning					78,829,437	9,011,909
Adjustment to beginning net assets Implementation of GASB 49					(226,296)	-
Net assets--ending					\$ 69,976,251	\$ 10,123,404
						\$ 80,099,655

The accompanying notes are an integral part of the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS



CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

I. Summary of Significant Accounting Policies

A. Financial Reporting Entity Information

The City of Norfolk (the "City") was incorporated February 13, 1845, and operates under a charter adopted February 7, 1918, which mandates a Council-Manager form of government. The City and its component units provide the following municipal services to approximately 235,000 residents, as authorized by its charter or code: public safety, highway and street maintenance, water production and quality, solid waste management, wastewater treatment, cultural and parking facilities, environmental storm water management, public health, social programs, parks and recreation, public education, public improvements, planning and zoning code enforcement, public libraries and general administration.

Blended Component Unit: *The Employees' Retirement System of the City of Norfolk (ERS)* has a nine-member Board of Trustees. Seven members are appointed by the City Council. The City Manager and Director of Finance are ex-officio members. The ERS is the administrator of a single-employer noncontributory defined benefit plan that covers substantially all employees of the City of Norfolk, excluding School Board employees and certain employees of the Constitutional Officers covered by the Virginia Supplemental Retirement System, as authorized by Section 143(a) of the City Charter. The ERS was established and placed under the management of the Board of Trustees for the purpose of providing retirement and death benefits as authorized by the provisions of Chapter 37 of the Norfolk City Code. The City makes its contributions, in conjunction with investment earnings of the ERS, to provide the funding for pension benefits and administrative costs.

Discretely Presented Component Units: Although legally separate entities are in substance part of the City's operations, each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The component units discussed below are included in the City's financial reporting entity due to their financial relationships with the City.

The School Board for the City of Norfolk (School Board) which has seven members is the operating body that establishes the educational and financial programs and policies for the City's public school system. School Board members are appointed by the City Council. The City levies taxes for its operation, issues bonds or enters into capital leases for its capital requirements and approves its annual operating budget. The School Board for the City of Norfolk is comprised of the School Operating fund, Capital Projects fund, Child Nutrition fund, Grants fund and agency funds.

The Norfolk Community Services Board (CSB) was created in 1969 by a resolution of the City Council. Its purpose is to provide mental health, mental retardation, and substance abuse services to residents of the City of Norfolk. The CSB is composed of 15 members appointed by City Council. City Council approves the CSB's annual operating budget.

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Complete financial statements of the individual component units can be obtained from their respective administrative offices:

The City of Norfolk Retirement Board
810 Union Street, City Hall Building Room 309
Norfolk, Virginia 23510

The School Board for the City of Norfolk
800 East City Hall Avenue
P.O. Box 1357
Norfolk, Virginia 23501-1357

The Norfolk Community Services Board
Board Administration
248 West Bute Street
Norfolk, Virginia 23510-1404

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate *component units* for which the *primary government* is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt obligations of governmental funds and proprietary funds.

The *Capital Projects Fund* accounts for the acquisition and construction of major capital facilities of the City, some of which are also used by the School Board.

The City reports the following major proprietary funds:

- The *Water Fund* accounts for the activities of the City's water system, treatment plant and distribution systems.
- The *Wastewater Fund* accounts for the activities of the City's sewage pumping stations and collection systems.
- The *Parking Facilities Fund* accounts for the activities of the City's owned parking facilities.

Additionally, the City reports the following other fund types:

- *Internal Service Funds* account for the City's storehouse operations and fleet management services provided to other departments or agencies of the City on a cost reimbursement basis.
- The *Pension Trust Fund* accounts for the activities of the Employee's Retirement System, which accumulates resources for pension benefit payments to qualified employees.
- The *Permanent Fund* is used to report resources that are legally restricted to the extent that only the interest may be used to support the City's cemetery operations.
- The *Agency Funds* are used to account for the assets held by a governmental unit as an agent for individuals, private organizations, other governmental units and or other funds. Agency funds do not involve the measurement of results of operations as they are custodial in nature (assets = liabilities).

CITY OF NORFOLK, VIRGINIA
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For the Year Ended June 30, 2009

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Fiduciary fund financial statements do not have a measurement focus. The City's discretely presented component units are also included in the government-wide financial statements utilizing the same basis of accounting.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue and related assets are recorded when they become susceptible to accrual, that is, when they become both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers revenues, except for grant revenues, to be available if they are collected within 45 days of the end of the fiscal year. Real and personal property taxes are recorded as receivables when levied and billed, which corresponds with the fiscal year for which the taxes have been levied, net of allowances for uncollectible accounts. In compliance with Section 2.9, Uniform Financial Reporting Manual for Virginia Counties and Municipalities, property taxes due and collected within 45 days after June 30 are recognized as revenue; those not collected within 45 days after year-end are reported as deferred revenue. Items such as license fees, permit fees and fines are recorded as revenue when received. Intergovernmental revenue, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, is recognized at the time the specific expenditures expected to be financed by this revenue are made. Revenue from general purpose grants is recognized during the entitlement period.

Major sources of governmental funds susceptible to accrual include the following:

- Real property taxes
- Personal property taxes
- Sales and use taxes
- Consumer utility taxes
- Environmental storm water billings
- Revenue from the Commonwealth
 - Shared expenses
 - Categorical aid
- Revenue from the federal government

Expenditures, other than interest on general long-term obligations, are recorded as related fund liabilities when incurred. Interest on general long-term obligations is recognized when due.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not

CITY OF NORFOLK, VIRGINIA
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conflict with or contradict guidance of the Governmental Accounting Standards Board ("GASB"). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's proprietary funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges for services, 2) operating grants and contributions and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Therefore, all taxes are general revenue.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues and expenses of the City's Water, Wastewater and Parking Facilities enterprise funds, and of the City's internal service funds are charges to customers for sales and services and administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition, including interest income or expense are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting

An operating budget is adopted each fiscal year for the General fund, Water Utility fund, Wastewater Utility fund, Parking Facilities fund, Storm Water special revenue fund, Nauticus special revenue fund, Maritime Facility special revenue fund, Public Amenities special revenue fund, Cemeteries special revenue fund, Emergency Operations center/E911 special revenue fund, Golf special revenue fund, Towing special revenue fund and internal service funds. Project length budgets are appropriated for the Capital Projects and Grants funds. All funds are under formal budgetary control.

No less than 60 days before the end of the fiscal year, the City Manager must submit to the City Council, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted. Then, on or before July 1, the budget is legally enacted through adoption of an ordinance. The property taxes included in the budget become a lien on real properties on July 1.

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The ordinance for the annual operating budget appropriates funds by department. Additional budgetary controls are exercised administratively, both on an appropriation unit basis over parts, all, or any combination of object categories (budgetary account groups) such as: (1) personal services; (2) materials, supplies and repairs; (3) general operations and fixed charges; (4) equipment; (5) public assistance; and (6) all purpose appropriations, as well as on a line item basis over individual objects (budgetary accounts). The City Manager is authorized to transfer funds between departments and funds without further approvals by City Council.

The School Board manages and controls all funds made available for public school purposes by the City Council. In accordance with the Code of Virginia, the School Board has exclusive authority to expend funds within the total amounts appropriated by City Council.

Consistent with the enabling ordinance, the Schedules of Revenues and Expenditures – Budget and Actual of the General Fund presented in Exhibit E include the revenues and expenditures - budget and actual of the School Board.

A reconciliation of revenues and expenditures reported in accordance with accounting principles generally accepted in the United States (GAAP) and those presented in accordance with non-GAAP budgetary basis, for the general fund, can be found following Exhibit E-2. The budgets for the enterprise funds and internal service funds are prepared on a basis generally consistent with accounting principles generally accepted in the United States of America.

With the exception of capital projects and grants fund appropriations, unencumbered annual appropriations lapse at the end of the fiscal year. City Council may authorize supplemental appropriations to the operating budgets during the fiscal year. Budgeted amounts as reported in the financial statements represent the original appropriations, and all supplemental adjustments or appropriations.

City Council adopts a capital improvement budget on a project basis. As in the case of the General fund budget, these budgets are submitted by the City Manager, public hearings are held and the budgets are legally enacted through adoption of an ordinance. Appropriations for these budgets continue until the purpose of the appropriation has been fulfilled. Amendments to these budgets are affected by City Council.

E. Deposits and Investments

The City's cash and short-term investments include cash on hand, demand deposits, and short term investments with original maturities of one year or less from the date of acquisition.

Investment statutes authorize the City and the School Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for

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Reconstruction and Development (World Bank) and Asian Development Bank, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). The fair value of the LGIP is the same as the value of the pool shares. The LGIP is not registered with the Securities and Exchange Commission (SEC) as an investment company, but maintains a policy to operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The external investment pool is administered by the Treasury Board of Virginia. The Pension Trust fund is authorized to invest in common stocks and other investments as directed by State statute.

Investments of the City as well as its component units are stated at fair value. Short-term investments are recorded at cost, which approximates fair value. Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the fiscal year. Investments that do not have an established market are reported at estimated fair value, primarily net asset value determined based on the fair value of the underlying securities. Purchases and sales of securities traded but not yet settled at year-end are recorded as due to broker for securities purchased and due from broker for securities sold, respectively.

The City uses the pooled cash investment method, as a result individual fund overdrafts are reclassified as due to/due from other funds or internal balances for financial statement purposes. Income from the investment of pooled cash is allocated to the various funds based on the percentage of cash and temporary investments of each fund to the total pooled cash and temporary investments.

For purposes of the statements of cash flows, all highly liquid debt instruments and certificates of deposit are grouped into cash and short-term investments. The cash and investment pool discussed above is considered cash, since it has the same characteristics as a demand deposit account.

F. Restricted Assets

Restricted assets are those whose use is subject to externally imposed constraints such as creditors through debt covenants, grantors or laws or regulations of other governments.

G. Notes Receivable

Notes receivable reported in the governmental funds represent assets that are offset by deferred revenue in the fund financial statements since funds do not meet the availability criteria. Payments on these balances will be recognized as revenue as they are received.

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H. Interfund Transactions

During the normal course of operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets and service debt. The accompanying fund financial statements generally reflect such transactions as transfers.

Internal service funds record charges for services to all City departments and funds as operating revenue. All City funds record these payments to the internal service funds as operating expenditures or expenses. Since internal service funds generally support governmental activities rather than business-type activities, they are consolidated with the governmental funds in the government-wide financial statements. A discrete presentation of the City's internal service funds can be found in the "Other Supplementary Information" section of this document.

The General fund provides administrative services to enterprise funds and internal service funds. Charges for these services are treated as operating expenses by the enterprise and internal service funds and as revenue by the General fund in the fund financial statements.

I. Inventories

Inventories are stated at cost, using either the first-in, first-out, or the moving average method. Inventories in the governmental funds consist of expendable supplies held for consumption for which the cost is recorded as an expenditure when acquired, i.e., the "purchase method." Reported inventories in the governmental funds are offset by a fund balance reserve, indicating they are not currently available expendable resources. Proprietary funds expense inventories when consumed.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported at historical cost less accumulated depreciation in the applicable governmental or business-type activities column in the government-wide financial statements and in proprietary funds. Capital assets are defined by the City's capitalization policy as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Capital outlays of governmental funds are recorded as expenditures at the time of purchase and are not capitalized in the governmental funds. However, they are capitalized in the government-wide statement of governmental activities. Where historical cost records are not available, assets are recorded at estimated historical cost. Gifts or donated fixed assets are recorded at their estimated fair value on the date received. In the enterprise and internal service funds, interest costs incurred on funds borrowed for construction projects are capitalized net of interest earned on the temporary investment of the unexpended portion of those funds. When an asset is retired or otherwise disposed of, the related cost and accumulated depreciation are

CITY OF NORFOLK, VIRGINIA
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For the Year Ended June 30, 2009

eliminated and any resulting gain or loss is reflected as non-operating revenue or expense.

The City evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the City are reported at the lower of the carrying value or fair value. Impairment losses on capital assets that will continue to be used by the City are measured using the method that best reflects the diminished service utility of the capital asset. Any insurance recoveries received as a result of impairment events or changes in circumstances that result in the impairment of a capital asset are netted against the impairment loss.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets purchased by enterprise and internal service funds are stated at cost, less accumulated depreciation.

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

	Governmental Funds	Enterprise Funds	Internal Service Funds
	(In years)		
Building and improvements	40	10-75	40-50
Improvements other than buildings	15-25	10-99	15
Warehouse equipment and fixtures	-	-	7-10
Transmission and distribution mains	-	50-99	-
Service meters and meter installation	-	35-50	-
Pumping and other water/wastewater equipment	-	10-30	-
Vehicles and garage equipment	4-10	4-10	4-25
Data processing equipment	5-10	5-10	5-10
Furniture, fixtures and equipment	3-25	3-25	3-20

K. Compensated Absences

It is the City and School Board's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation leave is fully vested when earned by City employees. Sick leave does not vest for City employees; however, upon retirement, City employees receive credit for each day of accumulated sick leave toward their pension benefit. There is no liability for unpaid accrued sick leave

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service since the City does not pay it when the employee separates from service. The entire unpaid liability for vacation leave is recorded in the respective funds in the government-wide financial statements.

Upon retirement, School Board employees are paid \$20 for each day of accumulated sick leave at retirement. Accumulated vacation leave cannot exceed 50 days for School Board employees. School Board employees are paid for unused vacation leave, at their normal rate of pay, upon termination of employment. Most School Board employees have ten-month employment contracts and are not entitled to vacation.

L. Net Assets/Fund Balances

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments or imposed by law through state statutes.

Reservations of fund balances are used to indicate that portion that is not appropriable for expenditures or to identify a portion of a fund's equity as legally segregated for a specific future use. Designations of unreserved fund balances in governmental funds are established to indicate City management's tentative plans for use of financial resources in a future period.

M. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

II. Deposits and Investments

Custodial Credit Risk - Deposits

The City maintains a cash and investments pool for all funds except the Pension Trust and permanent funds. Each fund's portion of the pool is disclosed in the statement of net assets and balance sheet as cash and short term investments. The cash and investments of the Pension Trust and permanent funds are held separately from the pooled City funds.

In accordance with its investment policy, all deposits of the City and its component units are held in City Council designated official depositories and are collateralized in

CITY OF NORFOLK, VIRGINIA
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accordance with the Virginia Security for Public Deposits Act ("the Act"), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. If any member financial institution whose public deposits are collateralized in accordance with the requirements of the Act fails, the entire market value of the collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool's collateral were inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to members of the pool. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks.

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

The City's equity and fixed income investments (except for bank deposits) are not insured and are registered in the name of the City and held by State Street Bank as custodian. The remaining City investments are held by the City or in the City's name by the City's custodial banks. The policy for the Pension Trust fund is that all securities purchased by or for the System be properly and clearly labeled as an asset of the System and held in safekeeping by a third party custodial bank or institution in compliance with Section 2.2-4515 of the Code of Virginia. The City and its other component units have no formal policy regarding custodial credit risk for investments.

Interest Rate Risk

The City's Pension Trust fund uses a "Duration" policy to manage its interest rate risk. The duration policy is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

Other than for the assets of the City's Pension fund, neither the City nor discretely presented component units have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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Segmented Time Distribution (as of June 30, 2009)

Primary Government

Investment Type	Fair Value	Investment Maturities (in years)				
		Less than 1 year	1-3 years	3-6 years	6-10 years	10 years +
Corporate Debt	\$ 60,113,374	\$ 20,917,669	\$ 22,183,814	\$ 3,803,609	\$ 6,934,450	\$ 6,273,831
Futures and Swaps	2,829,866	1,449,771	731,837	146,183	2,075	500,000
ABS	12,352,343	-	586,071	1,945,847	6,828	9,813,598
Treasury and Agencies	25,351,582	5,590,031	12,089,314	109,640	3,036,100	4,527,097
Mortgages	152,760,208	-	-	67,063	170,304	152,522,841
Certificates of Deposit	17,646,000	17,646,000	-	-	-	-
Common Stock	278	-	-	-	-	278
Municipal Bonds	9,539,527	-	-	-	-	9,539,527
Convertible Preferred	4,249,338	-	-	-	-	4,249,338
Fixed Income Funds	64,660,473	-	-	-	-	20,767,055
Domestic Equity Funds	291,694,924	-	-	-	-	-
International Equity Funds	134,539,987	-	-	-	-	-
Money Market Investments in Cash & Cash Equivalents	183,679,441	183,679,441	-	-	-	-
Total	\$ 959,417,341	\$ 229,282,912	\$ 35,591,036	\$ 6,071,742	\$ 10,149,757	\$ 208,193,565

A reconciliation of the carrying value of deposit and investments as reported above to amounts reported in the Statement of Net Assets (Primary Government) and Statement of Fiduciary Net Assets for the City is as follows:

Per Exhibit 1 (Primary Government):	
Cash and short term investments	\$ 216,761,981
Restricted cash held with fiscal agents	6,352,003
Investments	9,957
Restricted cash and investments	59,909,212
Total	<u>\$ 283,033,153</u>
Per Exhibit C-1 (Fiduciary):	
Cash and short term investments	15,491,372
Investments	752,501,869
Total	<u>\$ 767,993,241</u>
Total Primary Government and Fiduciary	<u>\$ 1,051,026,394</u>
Less: Actual cash	91,609,053
Deposits and investments reported above	<u><u>\$ 959,417,341</u></u>

CITY OF NORFOLK, VIRGINIA
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Credit Risk Related to Issuer

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's Pension Trust Fund's formal policy governing credit risk is that securities rated below investment grade by two of the three primary rating agencies, Moody's, Fitch Ratings, and Standard and Poor's (S&P), are not permitted. The City's Pension Trust Fund invests in certain derivatives including real estate mortgage investment conduits, collateralized mortgage obligations, futures and swaps. Those securities are included in reported investments in the Retirement System financial statements. Investments in derivatives with a cost of \$21,342,022 and a market value of \$20,388,837 were held at June 30, 2009. The City's rated debt investments as of June 30, 2009 were rated by S&P and/or an equivalent national rating organization and the ratings are presented below using the S&P credit quality rating scale.

The Primary Government's Rated Debt Investment

Ratings (S&P)	Corporate Debt	Futures and Swaps	ABS	Treasury and Agencies	Mortgages	Certificates of Deposit	Municipal Bonds	Money Market Mutual Funds
AAA	\$ 9,781,228	\$ 205,050	\$ 6,828	\$ 25,028,408	\$ 138,317,706	\$ -	\$ 6,654,659	\$ -
AAAm	-	-	-	-	-	-	-	183,679,441
AA+	301,211	(907,084)	-	-	6,327,474	-	-	-
AA	-	196,238	-	-	-	-	-	-
AA-	3,836,826	63,650,171	-	-	2,147,411	-	-	-
A+	3,589,972	(60,609,944)	-	-	752,625	-	-	-
A	2,587,058	698,297	1,216,128	-	322,914	-	-	-
A-	206,817	1,362,737	-	-	-	480,000	2,381,919	-
BBB+	2,163,753	(397,022)	278,525	-	1,125,662	-	182,078	-
BBB	975,286	(800,000)	-	323,174	-	-	-	-
BBB-	2,790,002	-	-	-	-	-	-	-
BB+	197,263	-	-	-	-	-	-	-
BB-	1,188,347	936,180	-	-	-	-	-	-
B and Below	-	(635,334)	139,517	-	1,771,665	-	-	-
Not Rated	32,495,611	(869,423)	10,711,345	-	1,994,751	17,166,000	320,871	-
Total	\$ 60,113,374	\$ 2,829,866	\$ 12,352,343	\$ 25,351,582	\$ 152,760,208	\$ 17,646,000	\$ 9,539,527	\$ 183,679,441

The City's Pension Trust fund held \$291,694,924 and \$134,539,987 in domestic and international equity funds, respectively, and an additional \$4,249,338 and \$64,660,473 in Convertible Preferred and Fixed Income Funds which are unrated securities.

Concentration of Credit Risk

Concentration risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. Mutual funds are excluded from this disclosure requirement. For the City's Pension Trust funds, no more than 20% of each account's fixed income portfolio, including cash equivalents, shall be invested in bonds rated Baa (1,2, and 3) or BBB (+ or -). Upon written request from an investment manager, the Retirement Board of Trustees will consider allowing more than 20% in these ratings and the purchase of bonds rated below Baa3 or BBB-.

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Other than for the assets of the City's Pension fund, neither the City nor its component units have a formal investment policy regarding the amount it may invest in any one issuer.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. City's Pension Trust Fund's exposure to foreign currency risk is presented as follows:

<u>Currency</u>	<u>Fixed-Income</u>
Austrialian Dollar	\$ 209,820
Brazilian Real	3,776,768
Canadian Dollar	251,784
China Yuan Renminbi	2,077,222
Euro	776,336
Japanese Yen	83,928
Mexican Peso	1,237,941
Great Britain Pound	(629,461)
	<u>\$ 7,784,338</u>

Neither the City nor its component units have a formal policy to limit foreign currency risk. Risk of loss arises from changes in currency exchange rates. The City's component units did not have any exposure to foreign currency risk at year end.

Community Services Board

At June 30, 2009, the CSB's investments of \$1,115,880 consisted solely of certificates of deposits. These certificates of deposit had an initial maturity date greater than 90 days after the purchase and, therefore did not meet the definition of cash equivalents. The certificates of deposit had maturity dates ranging from July 2009 to February 2018; however subsequent to June 30, 2009 the certificates of deposit were redeemed with no material penalties. The proceeds were transferred into the LGIP.

At June 30, 2009 the CSB had \$9,401,088 of cash and cash equivalents, invested primarily in the LGIP.

School Board

At June 30, 2009, the School Board has investments of \$31,006,213 in a AAA rated money market mutual fund and cash and cash equivalents of \$1,399,826.

III. Property Taxes

Local real property assessments are made under the direction of a City Assessor appointed by the City Council. The City has the power to levy taxes on property located

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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within its boundaries for payment of its obligations without limitation as to rate or amount. Rates are established by the City Council. The rates in effect for the year ended June 30, 2009, on each \$100 of assessed value, were \$1.11 for real property, an additional \$.18 for the Downtown Service District, \$4.25 for personal property, \$1.50 for recreational vehicles, \$4.25 for machinery and tools, \$1.11 for mobile homes, \$2.40 for airplanes, \$.50 for pleasure boats and \$1.50 for business boats. Disabled veterans pay a discounted rate of \$3.00 for personal property.

The property tax calendar is as follows:

	Real Property	Other than Real Property
Lien date	July 1	January 1
Levy date for existing property	July 1	January 1
Levy date for real property improvement, new construction or newly acquired property	October 1, January 1 and April 1	Date of acquisition
Due dates	September 30, December 5, March 31 and June 5	June 5 or 30 days after acquisition
Collection dates	On or before due date	

In the event any installment of taxes on any of the above properties is not paid on or before the due date, penalties and interest are assessed in accordance with the City Code.

IV. Accounts Receivable

A. Unbilled Accounts Receivable

Following is a summary by fund of unbilled accounts receivable recognized at June 30, 2009:

Water utility fund	\$	4,226,869
Wastewater utility fund		987,990
Parking facilities fund		350,203
	<u>\$</u>	<u>5,565,062</u>

The associated revenue is included in charges for services. All amounts were billed in July 2009.

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B. Allowances for Uncollectible Accounts Receivable

Allowances for uncollectible accounts receivable are generally established using historical collection data, consideration of economic conditions, specific account analysis and subsequent cash receipts. The allowances at June 30, 2009 are as follows:

Primary Government:

General Fund:

Taxes	\$ 19,453,046
Accounts	11,686,053
	<u>31,139,099</u>

Storm Water special revenue fund	469,600
Water Utility fund	3,413,019
Wastewater Utility fund	1,303,206
Total - Primary Government	<u>\$ 36,324,924</u>

Component Units:

Norfolk Public Schools	\$ 233,172
Community Services Board	59,511
Total - Component Units	<u>\$ 292,683</u>

V. Notes Receivable

Notes receivable, at June 30, 2009 are as follows:

Primary Government: General Fund

WHRO (Hampton Roads Educational Telecommunications Association, Inc.)	<u><u>\$23,230</u></u>
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VI. Due From Other Governments

Amounts due from other governments, at June 30, 2009 are as follows:

	General	Total	Component Unit
	Fund	Primary	School
		Government	Board
Commonwealth of Virginia:			
Shared expenses	\$ 5,335,602	\$ 5,335,602	\$ -
Categorical aid	96,513	96,513	-
Noncategorical aid	18,735,089	18,735,089	-
Special revenue grants	-	858,245	19,359,570
Total - Commonwealth	24,167,204	25,025,449	19,359,570
Federal Government:			
Special revenue grants	-	4,392,397	7,632,894
Total - Federal	-	4,392,397	7,632,894
Total - Due from other governments	\$ 24,167,204	\$ 29,417,846	\$ 26,992,464

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

VII. Changes in Capital Assets

A summary of changes in capital assets, at June 30, 2009 follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Non-depreciable capital assets:				
Land	\$ 40,351,264	\$ 20,312,101	\$ -	\$ 60,663,365
Construction in progress	114,761,897	51,529,457	(25,435,381)	140,855,973
Total non-depreciable assets	155,113,161	71,841,558	(25,435,381)	201,519,338
Depreciable assets:				
Buildings	577,210,739	30,043,786	-	607,254,525
Improvements other than buildings	28,642,495	1,544,541	-	30,187,036
Equipment	123,785,814	6,322,673	(1,992,141)	128,116,346
Infrastructure	1,154,314,965	5,483,296	(5,984,525)	1,153,813,736
Total depreciable assets	1,883,954,013	43,394,296	(7,976,666)	1,919,371,643
Less accumulated depreciation:				
Buildings	(233,352,562)	(13,250,240)	-	(246,602,802)
Improvements other than buildings	(12,223,717)	(757,893)	-	(12,981,610)
Equipment	(69,085,939)	(8,636,386)	3,334,513	(74,387,812)
Infrastructure	(897,182,279)	(50,932,497)	3,601,711	(944,513,065)
Total accumulated depreciation	(1,211,844,497)	(73,577,016)	6,936,224	(1,278,485,289)
Depreciable assets, net	672,109,516	(30,182,720)	(1,040,442)	640,886,354
Total governmental activities capital assets, net	\$ 827,222,677	\$ 41,658,838	\$ (26,475,823)	\$ 842,405,692
Business-Type activities:				
Non-depreciable capital assets:				
Land	\$ 48,287,029	\$ 142,000	\$ -	\$ 48,429,029
Construction in progress	53,038,154	68,624,701	(39,072,869)	82,589,986
Total non-depreciable assets	101,325,183	68,766,701	(39,072,869)	131,019,015
Depreciable assets:				
Land improvements	7,101,351	-	-	7,101,351
Buildings	317,576,727	571,062	(6,643)	318,141,146
Equipment	528,276,706	39,197,895	(2,248,532)	565,226,069
Total depreciable assets	852,954,784	39,768,957	(2,255,175)	890,468,566
Less accumulated depreciation:				
Land improvements	(2,897,418)	(130,445)	-	(3,027,863)
Buildings	(73,189,084)	(6,796,898)	-	(79,985,982)
Equipment	(140,652,291)	(12,600,744)	2,096,780	(151,156,255)
Total accumulated depreciation	(216,738,793)	(19,528,087)	2,096,780	(234,170,100)
Depreciable assets, net	636,215,991	20,240,870	(158,395)	656,298,466
Business-Type activities capital assets, net	\$ 737,541,174	\$ 89,007,571	\$ (39,231,264)	\$ 787,317,481
Component units activities:				
Non-depreciable capital assets:				
Land	\$ 487,500	\$ -	\$ -	\$ 487,500
Construction in progress	-	4,944,606	-	4,944,606
Total non-depreciable assets	487,500	4,944,606	-	5,432,106
Depreciable assets:				
Buildings	5,194,094	-	-	5,194,094
Improvements other than buildings	755,566	16,630	-	772,196
Building improvements	82,029,374	3,393,903	(13,734)	85,409,543
Equipment	33,087,909	1,320,420	(2,771,767)	31,636,562
Total depreciable assets	121,066,943	4,730,953	(2,785,501)	123,012,395
Less accumulated depreciation:				
Buildings	(2,064,285)	(259,705)	-	(2,323,990)
Building improvements	(24,311,618)	(8,659,734)	2,997	(32,968,355)
Equipment and other	(22,209,223)	(2,432,456)	2,295,451	(22,346,228)
Total accumulated depreciation	(48,585,126)	(11,351,895)	2,298,448	(57,638,573)
Depreciable assets, net	72,481,817	(6,620,942)	(487,053)	65,373,822
Component units activities capital assets, net	\$ 72,969,317	\$ (1,676,336)	\$ (487,053)	\$ 70,805,928

CITY OF NORFOLK, VIRGINIA
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Depreciation expense was charged to governmental and business-type activities as follows:

General government	\$ 7,138,310
Judicial administration	1,140,169
Public safety	3,433,935
Public works, which includes the	
depreciation of infrastructure assets	53,226,861
Health and sanitation	256,283
Culture and recreation	6,894,522
Community development	1,151,651
In addition, depreciation on capital assets	
held by the City's internal service funds	
is charged to the various functions	
based on their usage of the assets.	335,285
Total depreciation expense	<u>\$ 73,577,016</u>
Business-type activities:	
Water utility fund	\$ 11,335,890
Wastewater utility fund	4,361,725
Parking fund	3,830,472
Total depreciation expense	<u>\$ 19,528,087</u>
Component unit activities	
Community Services Board	\$ 242,021
Schools	11,109,874
Total depreciation expense	<u>\$ 11,351,895</u>

The following is a summary by fund of interest expense/revenue capitalized during the fiscal year ended June 30, 2009:

	Interest Expense	Interest Revenue	Net Capitalized
Water utility fund	\$ 1,151,110	\$ (253,834)	\$ 897,276
Wastewater utility fund	653,613	(451,660)	201,953
	<u>\$ 1,804,723</u>	<u>\$ (705,494)</u>	<u>\$ 1,099,229</u>

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

VIII. Long-Term Obligations

A. General Obligation and Revenue Bonds

The City has traditionally issued general obligation or revenue bonds to provide funds for the construction and acquisition of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. In 1993 and 1997 the City established Water revenue and Parking revenue bond programs, respectively. The Wastewater revenue bond program was established in fiscal year 2008.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. Revenue bonds are limited liability obligations where revenues derived from the respective acquired or constructed assets are pledged to pay debt service.

A summary of general obligation bond and revenue bond transactions for the fiscal year ended June 30, 2009 follows:

	General Obligation Bonds	Enterprise Funds			
		Water Utility Bonds	Wastewater Utility Bonds	Parking Facilities Bonds	Total
General obligation bonds outstanding at July 1, 2008	\$ 571,138,165 *	\$ 13,297,600	\$ 103,106,883	\$ 7,687,588	\$ 124,092,071
Bonds retired	(48,142,389)	(3,757,732)	(6,150,117)	(1,252,958)	(11,160,807)
Bonds refunded	(16,000,392)	(3,708,424)	(1,520,440)	(1,230,744)	(6,459,608)
Bonds transferred	-	-	-	-	-
Bonds issued	70,940,623	3,700,816	2,246,301	45,808,420	51,755,537
Bonds outstanding at June 30, 2009	577,936,007	9,532,260	97,682,627	51,012,306	158,227,193
Unamortized (discount) premium	9,807,006	(124,842)	1,502,562	297,337	1,675,057
General obligation bonds outstanding at June 30, 2009, adjusted for unamortized (discount) premium	<u>\$ 587,743,013</u>	<u>\$ 9,407,418</u>	<u>\$ 99,185,189</u>	<u>\$ 51,309,643</u>	<u>\$ 159,902,250</u>
Revenue bonds outstanding at July 1, 2008		\$ 320,825,000	\$ 7,359,833	\$ 92,634,000	\$ 420,818,833
Bonds retired		(8,050,000)	-	(2,230,000)	(10,280,000)
Bonds issued		-	6,207,605	-	6,207,605
Bonds outstanding at June 30, 2009		312,775,000	13,567,438	90,404,000	416,746,438
Less: Unamortized (discount) premium		(2,457,758)	(50,000)	(3,861,973)	(6,369,731)
Revenue bonds outstanding at June 30, 2009, adjusted for unamortized (discount) premium		<u>\$ 310,317,242</u>	<u>\$ 13,517,438</u>	<u>\$ 86,542,027</u>	<u>\$ 410,376,707</u>

* Includes a Section 108 loan with the Department of Housing and Urban Development (HUD) in the amount of \$13,000,000. Revenues from the Broad Creek Tax Increment Financing (TIF) District are the primary revenue pledge to support the bonds' debt device. In Virginia, this TIF pledge constitutes a general obligation when determining the City's legal debt margin.

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General obligation and revenue bonds outstanding at June 30, 2009 are composed of the following individual issues:

Bond Issue/Purpose	Dated	Issue Amount	Interest Rate	Activities		Business-type Activities			Balance Outstanding
				Public Improvement Allocation	Water Utility Allocation	Wastewater Utility Allocation	Parking Facilities Allocation		
Series 1989 Property Acquisition	7/11/1989	\$ 1,500,000	6.76%	\$ 1,500,000				\$ 1,500,000	
Series 1997 QRB	4/15/1997	4,000,000	5.50 - 5.75%	1,600,000				1,600,000	
Series 1998 Capital Improvement	6/15/1998	44,330,000	5.00%	1,964,549		500,451		2,465,000	
Series 1998 Refunding	6/15/1998	49,190,000	5.00%	3,925,074	1,320,556	391,107	438,263	6,075,000	
Series 1998 QRB	9/15/1998	2,560,000	4.70 - 5.10%	1,295,000				1,295,000	
Series 1999 Capital Improvement	7/1/1999	11,700,000	4.75 - 5.00%	585,000				585,000	
Series 1999 QRB	7/1/1999	4,000,000	4.90 - 5.30%	2,200,000				2,200,000	
Series 1999 QZAB	8/19/1999	7,000,000	none	1,615,380				1,615,380	
Series 2000 Capital Improvement	7/15/2000	18,025,000	5.00%	1,800,000				1,800,000	
Series 2000 QRB	7/15/2000	3,995,000	5.125 - 5.65%	2,395,000				2,395,000	
Series 2000 QZAB	11/22/2000	3,637,170	none	1,398,912				1,398,912	
Series 2001 QZAB	12/27/2001	1,062,830	none	429,430				429,430	
Series 2002 Capital Improvement	2/13/2002	27,000,000	2.00 - 5.00%	3,833,410		738,710		4,572,120	
Series 2002 QRB	2/13/2002	7,955,000	4.10 - 5.50%	5,155,000				5,155,000	
Series 2002 Refunding	2/13/2002	47,200,000	2.00 - 5.00%	12,959,880	2,213,020	3,180,151	279,829	18,632,880	
Series 2002 Property Acquisition	8/14/2002	3,400,000	5.38%	3,400,000				3,400,000	
Series 2002B Capital Improvement	11/1/2002	34,600,000	4.00 - 5.25%	17,300,000				17,300,000	
Series 2002B Refunding	11/1/2002	39,890,000	4.00 - 5.25%	13,052,962	840,102	1,540,763	746,173	16,180,000	
Series 2003 VRA	4/8/2003	9,423,794	3.50%			7,934,013		7,934,013	
Series 2003 Capital Improvement	11/15/2003	57,110,000	3.00 - 5.00%	42,000,144		824,856		42,825,000	
Series 2003 Refunding	11/15/2003	12,265,000	3.00 - 5.00%	2,740,833		249,167		2,990,000	
Series 2004 Refunding	3/16/2004	96,395,000	4.00 - 5.00%	35,365,003	1,457,766	5,498,778	658,453	42,980,000	
Series 2004 HUD	6/30/2004	13,000,000	4.32 - 5.97%	13,000,000				13,000,000	
Series 2004 Property Acquisition	7/29/2004	1,775,000	7.00%	1,392,642				1,392,642	
Series 2004 VRA	9/17/2004	11,100,000	3.10%			10,020,346		10,020,346	
Series 2005 Capital Improvement	3/16/2005	59,320,000	3.00 - 5.00%	45,910,000		1,650,000		47,560,000	
Series 2005 Refunding	3/16/2005	35,035,000	3.00 - 5.00%	29,260,072		5,649,928		34,910,000	
Series 2006 VRA	3/14/2006	11,500,000	3.00%			10,164,977		10,164,977	
Series 2006B VRA	9/28/2006	14,250,000	none			13,537,500		13,537,500	
Series 2006 Capital Improvement	11/15/2006	99,225,000	4.00 - 5.00%	76,049,332		9,254,500	3,081,168	88,385,000	
Series 2006 Refunding	11/15/2006	15,830,000	4.00 - 5.00%	15,372,761		347,239		15,720,000	
				variable with interest rate cap of 5% (expires 4/1/2010)					
Series 2007 VRDB (AMT)	3/29/2007	32,365,000		31,880,000				31,880,000	
Series 2008A&B Refunding	2/13/2008	17,160,000	3.00 - 4.625%	15,305,000				15,305,000	
Series 2008C Capital Improvement	6/30/2008	153,605,000	4.70 - 5.00%	122,310,000		24,765,000		147,075,000	
Series 2009A Capital Improvement	5/21/2009	55,280,000	2.00 - 4.375%	55,280,000				55,280,000	
Series 2009B Refunding	5/21/2009	21,895,000	3.00 - 5.00%	15,660,623	3,700,816	1,435,141	1,098,420	21,895,000	
Series 2009C Bond Anticipation Note	5/21/2009	44,710,000	1.25%	-			44,710,000	44,710,000	
Total General Obligation Bonds				\$ 577,936,007	\$ 9,532,260	\$ 97,682,627	\$ 51,012,306	\$ 736,163,200	

Business-type Activities					
Dated	Interest Rate	Water Utility	Parking Facilities	Wastewater Utility	Balance Outstanding
11/1/1993	2.80 - 5.375%	\$ 46,665,000	\$ -	\$ -	\$ 46,665,000
8/15/1995	4.75 - 7.00%	87,535,000	-	-	87,535,000
11/1/1998	4.00 - 5.125%	68,150,000	-	-	68,150,000
2/15/1999	4.00 - 5.00%	-	14,220,000	-	14,220,000
10/15/2001	4.00 - 5.00%	30,425,000	-	-	30,425,000
10/1/2000	5.50 - 5.50%	-	15,155,000	-	15,155,000
7/11/2003	4.50%	-	619,000	-	619,000
7/11/2003	4.50%	-	150,000	-	150,000
10/28/2004	Variable	-	6,300,000	-	6,300,000
10/28/2004	2.50 - 5.00%	-	29,510,000	-	29,510,000
3/23/2005	3.50 - 5.00%	21,585,000	-	-	21,585,000
6/15/2005	4.00 - 5.00%	-	24,450,000	-	24,450,000
11/9/2007	0.00%	-	-	13,567,438	13,567,438
4/23/2008	3.00 - 5.00%	58,415,000	-	-	58,415,000
		\$ 312,775,000	\$ 90,404,000	\$ 13,567,438	\$ 416,746,438

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The Parking System's Series 2004 Variable Rate Demand Bonds are remarketed weekly and have averaged 0.13% over the one-month London Interbank Offered Rate (LIBOR) since inception.

The Series 2007 General Obligation Variable Rate Demand Bonds, utilized to finance the construction of the cruise terminal, are remarketed weekly and are generally anticipated to be 0.10% higher than the Securities Industry and Financial Market Association (SIFMA) Index.

B. General Obligation Bonds

A summary of the requirements to amortize general obligation bonds are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 45,992,487	\$ 25,205,869	\$ 55,295,326	\$ 4,585,940
2011	50,260,793	23,621,067	10,666,015	3,829,654
2012	47,077,014	21,425,741	9,465,435	3,377,396
2013	41,633,179	19,418,577	7,538,846	2,966,899
2014	35,430,641	17,630,295	6,236,253	2,702,506
2015-2019	156,389,747	65,266,584	27,316,820	10,048,449
2020-2024	120,825,174	33,131,655	25,403,630	5,515,333
2025-2029	59,746,972	11,246,528	16,304,867	1,295,478
2030-2034	13,115,000	3,342,490	-	-
2035-2038	7,465,000	645,238	-	-
Total	\$ 577,936,007	\$ 220,934,044	\$ 158,227,193	\$ 34,321,655

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The detailed requirements to amortize general obligation bonds for the major proprietary funds are as follows:

Year Ending June 30,	Water Utility Fund		Wastewater Utility Fund		Parking Facilities Fund	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 2,812,578	\$ 437,694	\$ 6,585,615	\$ 3,484,577	\$ 45,897,133	\$ 663,669
2011	2,822,993	304,804	6,666,467	3,296,094	1,176,555	228,757
2012	2,058,267	163,900	6,582,923	3,032,814	824,245	180,682
2013	739,589	82,154	6,364,278	2,757,234	434,979	127,511
2014	551,047	41,165	5,369,723	2,526,572	315,483	134,768
2015-2019	547,786	13,695	25,774,532	9,627,134	994,502	407,620
2020-2024	-	-	24,547,750	5,315,485	855,880	199,848
2025-2029	-	-	15,791,339	1,262,741	513,529	32,737
2030-2034	-	-	-	-	-	-
2035-2039	-	-	-	-	-	-
	<u>\$ 9,532,260</u>	<u>\$ 1,043,412</u>	<u>\$ 97,682,627</u>	<u>\$ 31,302,651</u>	<u>\$ 51,012,306</u>	<u>\$ 1,975,592</u>

C. Revenue Bonds

The water revenue bond covenants require that each year's water utility fund net revenue not be less than the greater of (i) the sum of 1.1 times senior debt service and 1.0 times subordinated debt service or (ii) 1.0 times the funding requirements for transfers from the revenue fund to the operating fund, the bond fund, the parity debt service fund, the debt service reserve fund, the subordinate debt service fund, the repair and replacement reserve fund and the rate stabilization fund. Pursuant to the terms of the revenue bond indenture, certain resources have been set aside for the repayment of the revenue bonds. These resources are classified as restricted cash and investments on the balance sheet because their use is limited by applicable bond covenants.

The parking revenue bond covenants require that each year's parking facilities fund net revenue not be less than the greater of (i) the sum of 1.25 times senior debt service and 1.0 times subordinated debt service and (ii) 1.0 times the funding requirements for transfers from the revenue fund to the operating fund, the bond fund, the parity debt service fund, the debt service reserve fund, the MacArthur Center garage reserve fund, the repair and replacement reserve fund, the surety bond interest fund and the subordinate debt service fund. Pursuant to the terms of the revenue bond indenture, certain resources have been set aside for the repayment of the revenue bonds. These resources are classified as restricted investments on the balance sheet because their use is limited by applicable bond covenants.

The wastewater revenue bond covenants require that each year's wastewater utility fund net revenue will equal at least 1.15 times the amount required during the fiscal year to pay the principal of the wastewater revenue bond, the additional payments and all other indebtedness of the borrower payable from revenues, including without limitation, indebtedness under leases which are treated as capital leases under

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generally accepted accounting principles, but excluding any general obligation bonds issued to finance wastewater system property.

The detailed requirements to amortize water, parking, and wastewater revenue bonds are as follows:

Year Ending June 30,	Water Revenue		Parking Revenue		Wastewater Revenue	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 9,420,000	\$ 15,929,680	\$ 2,560,000	\$ 4,437,658	\$ 425,000	\$ -
2011	9,875,000	15,467,723	2,635,000	4,349,050	657,122	-
2012	10,375,000	14,973,521	2,755,000	4,220,648	657,122	-
2013	10,900,000	14,446,373	2,840,000	4,086,138	657,122	-
2014	11,455,000	13,889,785	2,884,000	3,947,125	657,122	-
2015-2019	67,105,000	59,623,713	16,225,000	17,637,056	3,285,609	-
2020-2024	87,705,000	39,029,981	20,750,000	13,435,262	3,285,609	-
2025-2029	62,315,000	17,369,170	25,020,000	7,761,496	3,285,609	-
2030-2034	24,670,000	7,216,575	13,645,000	1,700,804	657,123	-
2035-2039	18,955,000	2,132,822	1,090,000	47,491	-	-
Total	\$ 312,775,000	\$ 200,079,343	\$ 90,404,000	\$ 61,622,728	\$ 13,567,438	\$ -

D. Other Notes and Loans

The City issued a \$2,000,000 note for the acquisition of land from The Catholic Diocese of Richmond on December 18, 2007. The \$1,000,000 balance of the note will be paid according to the following schedule:

Year Ending June 30,	Principal	Interest
2010	\$ 1,000,000	\$ -
Total	\$ 1,000,000	\$ -

E. Advanced Refundings

On May 13, 2009, the City sold \$21,895,000 of general obligation bonds which were used to defease \$17,060,000 of the City's Series 1998 General Obligation Bonds and \$5,400,000 of the City's Series 2002 General Obligation Bonds. The advance refunding will reduce the City's total debt service payments for bonds and result in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,505,606.

Previously, the City of Norfolk defeased certain general obligation and revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the fund's financial statements.

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At June 30, 2009 the following defeased bonds from advance refunding are still outstanding:

Defeased In	Original Issue	Amount
2005	1999	\$ 4,680,000
2005	2000	6,300,000
2005	2002	4,050,000
2006	1999	1,170,000
2006	2000	2,700,000
2006	2002	4,050,000
2006	2002B	6,920,000
2009	1998	17,060,000
2009	2002	5,400,000
		<u>\$ 52,330,000</u>

Defeased In	Original Issue	Parking Revenue Bonds
2002	2000B	\$ 2,705,000
		<u>\$ 2,705,000</u>

F. Lease Obligations

Capital Leases:

The City leases certain computer, automotive, solid waste automation and other heavy equipment. The remaining debt service requirements, including interest at rates varying from 2.46% to 4.09%, will be retired by funds from the general fund on the aforementioned contracts.

Operating Leases:

The City leases various facilities for operational and office space from various lessors under operating leases. Total rental expenditures under these leases were \$2,911,423 for the year ended June 30, 2009.

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Future year lease obligations are listed below:

Year Ending June 30,	Capital Lease Obligations	Operating Lease Obligations
2010	\$ 1,175,524	\$ 2,889,924
2011	398,865	2,758,162
2012	-	2,302,194
2013	-	1,860,248
2014	-	1,686,024
Thereafter	-	1,962,941
Total minimum lease payments	1,574,389	\$ 13,459,493
Less interest	(39,496)	
	1,534,893	
Less current portion	(1,178,402)	
	<u>\$ 356,491</u>	

G. Landfill Liability

The City closed its Campostella landfill site on June 30, 1992. State and federal laws require the City to perform certain maintenance and monitoring activities at the site for 30 years after closure. The \$1,178,136 reported as an obligation for landfill closure and post-closure costs at June 30, 2009 reflects the estimated total cost to perform these activities. Actual costs may be higher due to inflation, changes in technology and/or changes in laws.

The Campostella landfill statistically exceeded groundwater protection standards in May 2002. Until a remedy for corrective action is chosen and approved, \$1,000,000 is included in the liability above for groundwater corrective action as required by state law.

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For the Year Ended June 30, 2009

H. Compensated Absences

A liability for vested vacation and sick leave benefits is recorded as general long-term obligations. These benefits represent future obligations of the following funds and component units:

Primary Government:	
Governmental activities:	
General fund	\$ 15,542,691
Non-major governmental and internal service funds	<u>1,060,659</u>
Total governmental	<u>\$ 16,603,350</u>
Enterprise funds:	
Water utility fund	\$ 997,698
Wastewater utility fund	340,936
Parking fund	<u>302,413</u>
Total enterprise funds	<u>\$ 1,641,047</u>
Component Unit - School Board	<u>\$ 10,039,837</u>
Component Unit - CSB	<u>\$ 1,085,719</u>

I. Debt Limit

The Commonwealth of Virginia imposes a legal limit of 10 percent of the assessed valuation of taxed real property as a ceiling in the amount of general obligation borrowings, which may be issued by the City without referendum. At June 30, 2009 the City's debt limit is \$1,939,578,939 of which \$1,201,405,739 is available for creation of additional debt. There are no overlapping tax jurisdictions.

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

J. Bonds Authorized and Unissued

A summary of bonds authorized and unissued as of June 30, 2009 are as follows:

<u>Projects</u>	<u>Total</u>
General Obligation Bonds Authorized and Unissued:	
Capital Fund Projects	
General Capital Improvement Projects	\$ 145,543,297
Towing and Recovery Capital Improvement Projects	2,150,000
Storm Water Capital Improvement	<u>7,050,660</u>
Capital Fund Projects Total	154,743,957
Wastewater Utility Fund Projects	<u>22,035,748</u>
G.O. Bonds Authorized and Unissued	<u>176,779,705</u>
Revenue Bonds Authorized and Unissued:	
Water Utility Fund Projects	32,775,000
Parking Facilities Fund Projects	<u>84,817,000</u>
Revenue Bonds Authorized and Unissued	<u>117,592,000</u>
Total Bonds Authorized and Unissued	<u><u>\$ 294,371,705</u></u>

K. Changes in Long-Term Obligations

A summary of fiscal year 2009 changes in long-term obligations, net of unamortized discounts and premiums, are as follows:

	Primary Government				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES:					
Bonds, Notes Payable and Capital Leases:					
General obligation debt	\$ 590,711,712	\$ 72,925,428	\$ 75,894,127	\$ 587,743,013	\$ 45,992,487
Notes	2,000,000	-	1,000,000	1,000,000	1,000,000
Capital leases	<u>3,285,441</u>	<u>-</u>	<u>1,755,630</u>	<u>1,529,811</u>	<u>1,175,523</u>
Total Bonds, Notes and Capital Leases	595,997,153	72,925,428	78,649,757	590,272,824	48,168,010
Other Liabilities:					
Vested compensated absences	15,570,842	11,244,492	10,554,601	16,260,733	10,550,000
Retirement system contribution	23,585,256	25,196,244	23,585,256	25,196,244	25,196,244
Other post-employment benefits	5,439,766	6,147,637	4,383,909	7,203,494	-
Retiree's life insurance	560,000	-	75,000	485,000	75,000
Self-insurance	25,059,306	14,134,010	4,686,127	34,507,189	4,086,109
Landfill closure and post-closure costs	<u>1,243,692</u>	<u>-</u>	<u>65,556</u>	<u>1,178,136</u>	<u>66,000</u>
Total Other Liabilities	<u>71,458,862</u>	<u>56,722,383</u>	<u>43,350,449</u>	<u>84,830,796</u>	<u>39,973,353</u>
Governmental Activities					
Long-term liabilities	667,456,015	129,647,811	122,000,206	675,103,620	88,141,363
Internal Service Funds:					
Capital leases	7,703	-	2,621	5,082	2,878
Retirement system contribution	308,160	448,272	308,160	448,272	448,272
Vested compensated absences	<u>333,387</u>	<u>227,962</u>	<u>218,732</u>	<u>342,617</u>	<u>244,948</u>
Total Internal Service Funds	<u>649,250</u>	<u>676,234</u>	<u>529,513</u>	<u>795,971</u>	<u>696,098</u>
Total Governmental Activities	\$ 668,105,265	\$ 130,324,045	\$ 122,529,719	\$ 675,899,591	\$ 88,837,461

CITY OF NORFOLK, VIRGINIA
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For the Year Ended June 30, 2009

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Bonds and Notes Payable:					
Water	\$ 332,316,004	\$ 3,700,816	\$ 16,292,160	\$ 319,724,660	\$ 12,232,578
Wastewater	110,212,804	8,453,906	5,964,083	112,702,627	7,010,615
Parking Facilities	96,047,545	45,808,420	4,004,295	137,851,670	48,457,133
Total Bonds and Notes Payable	\$ 538,576,353	\$ 57,963,142	\$ 26,260,538	\$ 570,278,957	\$ 67,700,326
Other Liabilities:					
Vested compensated absences	\$ 1,539,336	\$ 1,261,876	\$ 1,160,165	\$ 1,641,047	\$ 971,490
Retirement system contribution	1,774,140	2,634,468	1,774,140	2,634,468	2,634,468
Other post employment benefits	602,234	680,769	485,460	797,544	-
Claims and judgements	3,817,615	-	2,537,615	1,280,000	640,000
Total Other Liabilities	7,733,325	4,577,113	5,957,380	6,353,059	4,245,958
Total Business-Type Activities	\$ 546,309,678	\$ 62,540,255	\$ 32,217,918	\$ 576,632,016	\$ 71,946,284
<u>COMPONENT UNIT ACTIVITIES:</u>					
Other Liabilities:					
Vested Compensated Absences					
Community Services Board	1,141,541	\$ 826,489	\$ 882,311	\$ 1,085,719	\$ 675,762
Norfolk Public Schools	9,593,219	9,454,083	9,007,465	10,039,837	7,529,878
Other post employment benefits					
Norfolk Public Schools	2,255,000	1,567,574	-	3,822,574	-
Pension Liability:					
Community Services Board	960,617	1,110,732	960,617	1,110,732	1,110,732
Pollution Remediation:					
Norfolk Public Schools	226,296	272,504	226,296	272,504	272,504
Workers' Compensation Claims					
Norfolk Public Schools	1,626,399	1,149,986	818,695	1,957,690	169,707
Claims Liability					
Norfolk Public Schools	45,125	192,809	206,392	31,542	27,025
Component Unit-type activities					
long-term liabilities	\$ 15,848,197	\$ 14,574,177	\$ 12,101,776	\$ 18,320,598	\$ 9,785,608

IX. Other Liabilities

Pursuant to a water services contract between the City of Norfolk and two wholesale customers, the Water Utilities fund conducts a rate true-up every two years to bring the projected rates developed at the start of the two-year period to the actual cost incurred during the period. In fiscal year 2009 the Water Utilities fund recorded a liability of \$1,280,000 to reflect the true-up result. The amount due within one year is \$640,000 and the long term portion is \$640,000. The amount will be reimbursed to the wholesale customers by crediting each of their monthly billings during fiscal years 2010 and 2011.

CITY OF NORFOLK, VIRGINIA
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For the Year Ended June 30, 2009

X. Pension Plans

The City and its component units participate in three defined benefit pension retirement plans. These include the Employees' Retirement System (ERS) of the City of Norfolk (X.A); a Virginia Retirement System (VRS) plan administered by the Commonwealth of Virginia for the benefit of Norfolk School Board employees (X.B); and a VRS plan for the benefit of state employees in constitutional offices (X. C). In addition, the School Board has a defined contribution plan.

A. Employees' Retirement System of the City of Norfolk (System):

Plan Description

The Employees' Retirement System of the City of Norfolk (System) is the administrator of a single-employer noncontributory, defined benefit plan that covers substantially all employees of the City, excluding School Board and Constitutional Officers' employees who are covered by the Virginia Retirement System. The System provides retirement benefits as well as death and disability benefits. All benefits vest after 5 years of creditable service. Cost-of-living adjustments ("COLAs") are provided at the discretion of the City Council. The System and its benefits are established by Section 37 of the Code of the City of Norfolk, Virginia as amended. The ERS is included as a Pension Trust fund in the City's financial statements and also issues a separate publicly available financial report that includes financial statements and required supplementary information for the ERS. That report may be obtained by writing to Employees' Retirement System of the City of Norfolk, City Hall Building, 810 Union Street, Suite 309, Norfolk, VA 23510.

Funding Policy

Section 37 of the Code of the City of Norfolk, Virginia, established the authority under which the City's obligation to contribute to the plan is determined. Contribution requirements are actuarially determined at the end of each fiscal year and paid by the City in the ensuing year. The contribution requirement of \$28,278,984 for the year ended June 30, 2009 was based on 16.16 percent of covered payroll for general employees and for public safety employees. This contribution requirement is recorded in the City's *Statement of Net Assets* as a liability payable to the pension fund and will be made in fiscal year 2010.

Annual Pension Cost

For 2009, the System's annual pension cost was equal to the City's required and actual (to be made in 2010) contribution. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal method. The amortization method used is level dollar open except for public safety retirement enhancement program which is amortized over a 20-year period commencing July 1, 2005. Significant actuarial assumptions included: (a) 7.5% investment rate of return (net of administrative expenses), (b) projected average salary increases of 5.24% for general employees and 5.67% for public safety

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

employees and (c) an assumed inflation rate of 3.5%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. The remaining amortization period at June 30, 2009 was 19.29 years.

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
June 30, 2009	\$ 28,278,984	100%	\$ -
June 30, 2008	\$ 25,667,556	100%	\$ -
June 30, 2007	\$ 25,135,944	100%	\$ -

Funding Status and Funding Progress

The schedule of funding progress which presents multi-year trend information about the actuarial value of the Pension plan assets and the actuarial accrued liability for Pension benefits is as follows:

CITY - EMPLOYEES' RETIREMENT SYSTEM

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
June 30, 2005	\$854,100,000	\$883,900,000	\$29,800,000	96.6%	\$160,200,000	18.6%
June 30, 2006	\$881,000,000	\$939,100,000	\$58,100,000	93.8%	\$159,300,000	36.5%
June 30, 2007	\$925,800,000	\$972,200,000	\$46,400,000	95.2%	\$168,100,000	27.6%
June 30, 2008	\$937,800,000	\$1,009,100,000	\$71,300,000	92.9%	\$175,400,000	40.6%
June 30, 2009	\$885,600,000	\$1,029,600,000	\$144,000,000	86.0%	\$179,600,000	80.2%

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Additional details on the plan's funded status and funding progress are included as required supplementary information following these notes to the financial statements.

CITY OF NORFOLK, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

B. School Board – Retirement Plans

Plan Description – Virginia Retirement System (VRS)

The School Board contributes to the Virginia Retirement System (VRS), an agent, which administers both multiple-employer and a cost-sharing multiple-employer defined benefit pension plan for the School Board. All full-time, salaried permanent employees of the School Board must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service and at 50 with 30 years of service for participating employers payable monthly for life in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustments (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provision to the General Assembly of Virginia.

VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/2008AnnuRept.pdf> or obtained by writing VRS at P. O. Box 2500, Richmond, VA 23218-2500.

Funding Policy

Title 51.1 of the Code of Virginia (1950) requires plan members, as amended, to contribute 5% of their annual reported compensation to the VRS. The School Board has assumed the 5% member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's professional and nonprofessional employees' contribution rates for the fiscal year ended June 30, 2009 were 8.81% and 6.95% of annual covered payroll, respectively (not including assumed 5%.) The School Board's contributions to the VRS for the years ended June 30, 2009, 2008, and 2007 for professional employees were \$34,869,207, \$37,858,170, and \$32,978,467, respectively, such amounts comprising 100% of the required contributions for the three year period.

Annual Pension Cost – Agent Multiple-Employer Plan

For 2009, the School Board's annual pension costs of \$2,167,495 for nonprofessional employees were equal to the School Board's required and actual contributions. The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method. The

CITY OF NORFOLK, VIRGINIA
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For the Year Ended June 30, 2009

actuarial assumptions at June 30, 2008 included (a) 7.5% investment rate of return, (b) projected salary increases of 3.75% to 5.6% and (c) 2.5% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the School Board's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The amortization method is open and the remaining amortization period is 20 years.

Trend information for the School Board's agent multiple-employer plan for nonprofessional employees is as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 2,167,495	100%	\$ -
June 30, 2008	2,454,422	100%	\$ -
June 30, 2007	2,220,834	100%	\$ -

Funding Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the plan was 91.71% funded. The actuarial accrued liability for benefits was \$72,573,728, and the actuarial value of assets was \$66,558,849 resulting in an unfunded actuarial accrued liability (UAAL) of \$6,014,879. The covered payroll (annual payroll of active employees covered by the plan) was \$17,520,165 and the ratio of the UAAL to the covered payroll was 34.33%. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Additional details on the plan's funded status and funding progress are included as required supplementary information following these notes to the financial statements.

The schedule of funding progress which presents multi-year trend information about the actuarial value of the Pension plan assets and the actuarial accrued liability for Pension benefits is as follows:

SCHOOL BOARD COMPONENT UNIT - VRS NON-PROFESSIONAL EMPLOYEES

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
June 30, 2004	\$ 52,765,749	\$ 54,345,074	\$ 1,579,325	97.1%	\$ 13,647,900	11.6%
June 30, 2005	\$ 52,906,114	\$ 61,150,786	\$ 8,244,672	86.5%	\$ 14,211,173	58.0%
June 30, 2006	\$ 55,282,776	\$ 60,006,661	\$ 4,723,885	92.1%	\$ 14,246,198	33.2%
June 30, 2007	\$ 61,180,012	\$ 66,118,525	\$ 4,938,513	92.5%	\$ 15,236,207	32.4%
June 30, 2008	\$ 66,558,849	\$ 72,573,728	\$ 6,014,880	91.7%	\$ 17,520,165	34.3%

CITY OF NORFOLK, VIRGINIA
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School Board – Superintendent Defined Contribution Plan

The School Board adopted a separate retirement plan for the Norfolk Superintendent of Schools in which the Superintendent could elect out of the defined benefit plan administered by VRS and opt into an Optional Retirement Plan for School Superintendents (ORPSS) under Virginia Code Section 51.1-126.6, also administered by VRS. The ORPSS is a defined contribution plan.

For any plan year commencing after June 30, 2009, that the participant remains an eligible employee, the School Board will set the amount for the plan contribution on behalf of the participant using the percentage of gross annual salary authorized under Virginia Statute. The current percentage is 10.4%. For the plan year, the School Board, in its discretion may contribute to another qualified or non-qualified plan an additional amount not to exceed the difference between the amount contributed to the ORPSS and \$25,000.

The Virginia Retirement System is the administrator of the plan and Great West Retirement Services and State Street Bank were the trustees during the fiscal year. Great West Retirement Services received \$9,262 and State Street Bank received \$12,966 in fixed plan contributions. Contributions for the year ended June 30, 2009, were fixed contributions of \$22,228.

C. State Employees – Virginia Retirement System (VRS):

Plan Description

The City of Norfolk contributes to the Virginia Retirement System (VRS), an agent, which administers both multiple-employer and a cost-sharing multiple-employer defined benefit pension plan for the City of Norfolk. All full-time, salaried permanent state employees in the City's five constitutional offices must participate in the VRS. These offices include: Commissioner of the Revenue, City Treasurer, Circuit Courts, Commonwealth's Attorney, and Sheriff and Jail. Benefits vest after 5 years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 with 5 years of service for participating law enforcement officers and firefighters) and age 50 with 30 years of service for participating employers (age 50 with 25 years of service for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7% of their average final salary (AFS) for each year of credited service. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. Participating law enforcement officers may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The VRS issues a publicly available comprehensive annual financial report that includes

CITY OF NORFOLK, VIRGINIA
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financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to VRS at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. The 5% member contribution has been assumed by the City. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using an actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City's contribution rate for the year ended June 30, 2008 was 9.53% of annual covered payroll. Contributions to the VRS for the year ended June 30, 2009 were \$3,490,287 equal to the required contribution.

Annual Pension Cost

For 2009, the City's annual pension cost of \$3,490,287 was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2008 actuarial valuations using the entry age normal actuarial cost method. The amortization method is level percent open. The actuarial assumptions included: (a) 7.5% investment rate of return; (b) projected salary increases that range between 3.75% to 5.60% per year, and (c) 2.5% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 2.5%. The actuarial value of the City's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The remaining amortization period is 20 years.

Trend information for the City VRS plan is as follows:

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
June 30, 2009	\$ 3,490,287	100%	\$ -
June 30, 2008	\$ 2,375,759	100%	\$ -
June 30, 2007	\$ 2,305,090	100%	\$ -

CITY OF NORFOLK, VIRGINIA
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Funding Status and Funding Progress

The schedule of funding progress which presents multi-year trend information about the actuarial value of the Pension plan assets and the actuarial accrued liability for Pension benefits is as follows:

CITY - VRS EMPLOYEES						
Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued Liability <u>(AAL)</u>	Unfunded (Overfunded) Actuarial Accrued Liability <u>(UAAL)</u>	Funded <u>Ratio</u>	Covered <u>Payroll</u>	UAAL as a % of Covered <u>Payroll</u>
June 30, 2004	\$ 30,349,720	\$ 26,612,472	\$ (3,737,248)	114.0%	\$ 21,369,062	-17.5%
June 30, 2005	\$ 32,467,638	\$ 32,346,396	\$ (121,242)	100.4%	\$ 22,898,124	-0.5%
June 30, 2006	\$ 35,756,786	\$ 36,121,461	\$ 364,675	99.0%	\$ 23,344,075	1.6%
June 30, 2007	\$ 41,467,595	\$ 40,237,331	\$ (1,230,264)	103.1%	\$ 24,931,958	-4.9%
June 30, 2008	\$ 47,154,626	\$ 52,000,548	\$ 4,845,922	90.7%	\$ 25,854,549	18.7%

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Additional details on the plan's funded status and funding progress are included as required supplementary information following these notes to the financial statements.

XI. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferral may be up to 25% of gross income up to a maximum of \$16,500 per year. The deferred compensation plan is not available to employees until termination, retirement, death or unforeseeable emergency.

The laws governing the City's deferred compensation plan have been complied with pursuant to the provisions of IRC Section 457. Accordingly, all assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

CITY OF NORFOLK, VIRGINIA
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XII. Other Post-employment Benefits (OPEB)

Plan Description

The City of Norfolk and the Norfolk School Board provide post-retirement health care benefits, in accordance with state statutes, which require extending access to healthcare benefits to certain retirees. General City employees are eligible to participate at the earlier of age 55 and 15 years of creditable service or 25 years of creditable service. City firefighters and police officers, who have a mandatory retirement age of 62, are eligible to participate at the earlier of age 50 and 15 years of creditable service or 20 years of creditable service. Employees who retire on accidental disability are also eligible. Grandfathered school employees who are older than age 50 with at least 5 years of service are eligible as well as non-grandfathered school employees who are older than age 50 with 15 years of creditable service. Retirees that elect to participate may purchase health care coverage using the same health care plans and premium structures available to active employees. Retiree participation, plan/benefit elections and contributions, are administered by the City's Retirement Bureau and the City's and the Schools' benefits offices based on the participation guidelines established by the Norfolk City Council and Norfolk School Board. Benefits are currently managed on a pay-as-you-go basis rather than use of an irrevocable trust and a separate financial report of the OPEB Plan is not issued.

Funding Policy

No employee contributions are required prior to retirement to participate in or fund the OPEB Plan. Currently, the City and Schools pay a set amount towards the monthly premium for participating retirees. This set contribution amount is an explicit subsidy of \$25 per month for the City and \$75 per month for the Schools per participating retiree. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. The plan sponsors also pay an implicit subsidy by allowing retirees to participate in the same benefit plans under the same premium structure as available to active employees, however, the plan sponsors are not required to fund the plan other than the pay-as-you-go amount necessary to provide current benefits to employees.

Annual OPEB Cost and Net OPEB Obligation

The City's and School's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. Under this Statement, governments report on an accrual basis, benefit costs related to the period in which benefits are earned rather than to the period of benefit distribution. The annual required contribution represents a level of funding that, if paid on an on-going basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

CITY OF NORFOLK, VIRGINIA
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Using the most recent OPEB plan valuation date of July 1, 2008, the following table shows the components of the City's and School's annual OPEB costs projected for the current fiscal year, the amounts contributed to the Plan and the changes in the net OPEB obligation (amounts in millions):

	City	Schools	Total
Actuarial liability:			
Active employees	\$22.1	\$34.4	\$ 56.5
Retirees	22.5	17.0	39.5
Total actuarial liability	44.6	51.4	96.0
Less: plan assets	0.0	0.0	0.0
Unfunded actuarial accrued liability (UAAL)	\$44.6	51.4	\$96.0

	City	Schools	Total
Net OPEB obligation as of June 30, 2007	\$ -	\$ -	\$ -
Annual required contribution (ARC) for FY2008	6.04	4.82	\$10.86
Adjustment to ARC	-	-	-
Annual OPEB cost	\$6.04	\$4.82	\$10.86
Less: contributions made	2.26	2.56	4.82
Net OPEB obligation as of June 30, 2008	\$3.78	\$2.26	\$ 6.04
ARC for FY2009			
Normal cost	\$4.96	\$2.05	\$ 7.01
UAAL amortization	1.53	1.76	3.29
Interest	0.30	0.18	0.48
Total ARC for FY2009	\$6.79	3.99	\$10.78
Interest on net OPEB obligation	.18	.11	.29
Adjustment to ARC	(.14)	(.08)	(.22)
Annual OPEB cost	6.83	4.02	10.85
Less: contributions made	2.61	2.46	5.07
Increase in net OPEB obligation	\$4.22	\$1.56	\$5.78
Net OPEB obligation as of June 30, 2009	\$8.00	\$3.82	\$11.82

Funded Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date, the OPEB Plan was unfunded. The actuarial accrued liability for benefits was \$96.0 million and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$96.0 million. The covered payroll of active City and School employees covered by the plan was \$362.3 million, and the ratio of the UAAL to the covered payroll was 26.5 percent. Additional details on the plan's funded status and funding progress are included as required supplementary information following these notes to the financial statements. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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The schedule of funding progress which presents multi-year trend information about the actuarial value of the OPEB plan assets and the actuarial accrued liability for OPEB benefits is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a percentage of covered payroll</u>
CITY EMPLOYEES AND RETIREES						
July 1, 2007	\$ -	\$ 43,566,000	\$ 43,566,000	0.0%	\$ 170,956,000	25.5%
July 1, 2008	\$ -	\$ 44,572,743	\$ 44,572,743	0.0%	\$ 168,196,094	26.5%
SCHOOL EMPLOYEES AND RETIREES						
July 1, 2007	\$ -	\$ 59,700,000	\$ 59,700,000	0.0%	\$ 232,465,000	25.7%
July 1, 2008	\$ -	\$ 51,451,816	\$ 51,451,816	0.0%	\$ 194,139,309	26.5%
TOTAL						
July 1, 2007	\$ -	\$ 103,266,000	\$ 103,266,000	0.0%	\$ 403,421,000	25.6%
July 1, 2008	\$ -	\$ 96,024,559	\$ 96,024,559	0.0%	\$ 362,335,403	26.5%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial valuation was performed as of July 1, 2008 with results projected for the fiscal year ended June 30, 2009. The entry age normal actuarial cost method was used with a level percent closed amortization method over 30 years. A discount rate, reflecting the value of future tax dollars, of 4.7% Annual rates of health care inflation and salary increases used were 10% and 4.5%, respectively.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Actuarial valuations are subjected to continual revisions as actual results are compared to past expectations and new estimates are made about the future.

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XIII. Interfund Receivable and Payable Balances

The composition of interfund activity as of June 30, 2009 is as follows:
Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Payroll Agency	\$ 10,942
	Capital Projects fund	10,741,801
	Community Development fund	10,768
	Nauticus fund	69,560
	Grants fund	828,430
	Golf fund	226,214
	Fleet Management fund	30,585
	Storehouse fund	234,108
	Water Utility fund	3,265,101
	Wastewater Fund	57,069
	Parking Fund	51,917
	Total General fund	<u>\$ 15,526,495</u>
Capital Projects fund	General fund	\$ 33,497
	Fleet Management fund	57,874
	Grants fund	17,610
	Wastewater fund	860,715
	Stormwater fund	7,551,155
	Total Capital Projects fund	<u>\$ 8,520,851</u>
Nonmajor governmental funds	General fund	\$ 1,057,998
	Capital Projects fund	20,416,969
	Grants fund	5,886
	Cemetaries	150,000
	Towing & Recovery Operations fund	24,005
	Parking fund	215,191
	Total Nonmajor governmental funds	<u>\$ 21,870,049</u>
	Total Governmental Funds	<u>\$ 45,917,395</u>
<u>Payable Fund</u>	<u>Receivable Fund</u>	
Water Utility fund	General Fund	\$ 3,265,101
	Fleet Maintenance fund	43,642
	Storehouse fund	137,175
	Capital Projects fund	(104,609)
	Wastewater Fund	28,334
	Total Water Utility fund	<u>\$ 3,369,643</u>
Wastewater fund	General Fund	\$ 57,069
	Fleet Maintenance fund	43,795
	Capital Projects fund	860,684
	Grants Special Revenue fund	(326)
	Water Utility fund	(28,334)
	Total Wastewater fund	<u>\$ 932,888</u>
Parking fund	General Fund	\$ 51,917
	Payroll Agency fund	\$ (1,052)
	Maritime Facility fund	215,191
	Total Parking fund	<u>\$ 266,056</u>
	Total Enterprise funds	<u>\$ 4,568,587</u>

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<u>Receivable Fund</u>		<u>Payable Fund</u>	
Internal service funds		General fund	\$ 261
		Capital Projects fund	1,779,652
		Grants fund	11,196
		Stormwater fund	36,300
		Wastewater fund	43,795
		Water Utility fund	180,817
		Total Internal Service funds	<u>\$ 2,052,021</u>
<u>Payable Fund</u>		<u>Receivable fund</u>	
Internal service funds		General fund	\$ 264,693
		Capital Projects fund	57,874
		Total Internal Service funds	<u>\$ 322,567</u>

The outstanding balances between funds result mainly from the time lag between the dates (1) interfund goods and services are provided or reimbursement occurs, (2) transactions are recorded in the accounting system, and (3) payment between funds are made.

XIV. Interfund Transfers

The following interfund transfers occurred during fiscal year 2009:

<u>Fund</u>	<u>In</u>	<u>Out</u>
General fund	\$ 12,948,230	\$ 85,652,562
Debt Service fund	69,952,206	-
Capital Projects fund	6,753,585	132,530
Nonmajor governmental funds	15,986,531	9,640,269
Enterprise:		
Water Utility fund	-	8,500,000
Wastewater Utility fund	-	1,500,000
Parking Facilities fund	-	215,191
	<u>\$ 105,640,552</u>	<u>\$ 105,640,552</u>

The purpose of the transfer balances are as follows:

General fund transfers in of \$12,948,230 include \$8,500,000 from the wastewater utility fund, \$1,500,000 from the wastewater fund which represents a return on investment back to the general fund, \$132,530 from capital projects fund which represent interest earned on investments, \$815,700 from grants fund which represents reimbursement for fire, police and rescue services and \$2,000,000 from tax increment fund which represents declaration of surplus real property taxes.

The general fund transfers out of \$85,652,562 represents a transfer of \$67,427,136 to the debt service fund to fund general obligation debt; \$2,909,666 to the capital projects fund as a contribution for annual capital improvement plan budget; \$10,356,286 to the grants fund in support of grant projects; \$2,437,772 to the Nauticus fund, \$817,156 to

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the cemeteries fund, \$1,627,767 to the Emergency Operations/E-911 fund, and \$76,779 to the golf fund.

Debt service transfers of \$69,952,206 include \$2,313,820 from the Storm Water fund, \$211,250 from the Public Amenities fund and \$67,427,136 from the General fund to fund the current year's debt service payments.

The Capital Projects fund transferred \$132,530 to the General fund which represents interest earned on investments.

The Storm Water special revenue fund transferred \$2,313,820 to the Debt Service fund to cover its debt service cost.

The Public Amenities special revenue fund transferred \$2,843,919 to the Capital Projects fund in support of the fund's capital related projects and \$211,250 to cover its debt service cost.

The nonexpendable special revenue fund transferred \$305,580 to the Cemeteries fund in support of the city's cemeteries.

The Grants special revenue fund transferred \$815,700 to the General fund in support of the fund's fire, police and rescue services.

The Tax Increment special revenue fund transferred \$2,000,000 to the General Fund which represents declaration of surplus real property taxes and \$1,000,000 to the Capital Projects fund in support of related capital projects.

The Cemeteries special revenue fund transferred \$150,000 to the Grants special revenue type fund for support.

The Water and Wastewater funds transferred \$8,500,000 and \$1,500,000 to the General fund as a return on investment, respectively. The Parking Facilities fund transferred \$215,191 to the Maritime Facility fund to cover parking costs of cruise customers.

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XV. Recovered Costs

Recovered cost in the General fund:	
Debt service recoveries	\$ 215,462
Retirement Bureau	483,661
Information Systems recoveries	1,569,428
HRT subsidy	1,700,429
Other	1,867,129
Administrative cost recoveries from enterprise funds	3,115,923
Total recovered costs in the General fund	<u>\$ 8,952,032</u>

XVI. Other Liabilities

Other liabilities, as presented in the Fund Financial Statements, consist of the following:

Governmental Funds:

General fund - miscellaneous	\$ 740,308
General fund - accrued expenditures	2,488,345
Capital Projects fund - miscellaneous	25,156
Grants fund - miscellaneous	318,143
	<u>\$ 3,571,952</u>

Enterprise Funds:

Water Utility fund - miscellaneous	520,744
Wastewater Utility fund - miscellaneous	204,304
Parking Facilities fund - miscellaneous	488,070
	<u>\$ 1,213,118</u>

Fiduciary Funds:

Other Agency fund	\$ 3,472,197
Commonwealth of Virginia	8,670
	<u>\$ 3,480,867</u>

XVII. Supplemental Appropriations

There were no supplemental appropriations made to the general fund operating budgets during fiscal year 2009.

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XVIII. Deferred Revenue

Deferred revenue, as represented in the fund financial statements at June 30, 2009 totals \$39,522,165 and is comprised of the following:

A. Special Revenue Funds

In the special revenue fund, unearned revenue totaled \$816,859. In the community development fund, the unearned revenue represents deferred payment rehabilitation loans of \$558,135 as of June 30, 2009. Unearned revenue in the storm water special revenue fund, representing deferred billings that have been earned but are not available for funding current expenditures at June 30, 2009, totals \$258,724.

B. Deferred capital projects funding

In the capital projects fund deferred revenue of \$120,000 represents monies accepted from a third party using an advancement method for payment. The reimbursement is recorded when expenditures are incurred in accordance with the third party agreement. If expenditures are not incurred, the funds will revert back to the third party. This deferred revenue was reclassified to revenue for the government wide statements to offset the expenditure that was recognized as a pollution remediation obligation.

C. Deferred property tax revenue

Unearned revenue in the general fund, representing uncollected tax billings not available for funding of current expenditures as of June 30, 2009 is \$38,585,306.

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XIX Commitments and Contingencies

A. Capital projects

Commitments for completion of capital projects in the Business-Type Activities, authorized at June 30, 2009 are as follows:

Water utility development projects	\$	17,391,000
Wastewater utility development projects		8,073,890
Parking facilities development projects		16,996,474
Total	\$	<u>42,461,364</u>

Commitments for completion of capital projects in the Governmental Activities, authorized at June 30, 2009 are \$50,986,977. See Exhibit J-3 Capital Improvement Program Schedule of Expenditures for listing of projects.

B. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

C. Litigation

From time to time the City and its component units are defendants in a number of lawsuits. Although it is not possible to determine the final outcome on these matters, management and the City attorney are of the opinion that the liability will not be material and will not have a significant effect on the City's financial condition.

D. Pollution Remediation Obligation

GASB Statement 49, *Accounting and Financial Reporting of Pollution Remediation Obligations*, identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation. According to the standard, a government would have to estimate its

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expected outlays for pollution remediation if it knows a site is polluted and any of the following recognition triggers occur:

- Pollution poses an imminent danger to the public or environment and the government has little or no discretion to avoid fixing the problem;
- A government has violated a pollution prevention related permit or license;
- A regulator has identified (or evidence indicates it will identify) a government as responsible (or potentially responsible) for cleaning up pollution, or for paying all or some of the cost of the clean up;
- A government is named (or evidence indicates that it will be named) in a lawsuit to compel it to address the pollution; and
- A government begins or legally obligates itself to begin cleanup or post-cleanup activities (limited to amounts the government is legally required to complete).

During the fiscal year the City recognized a liability of \$120,000 for pollution remediation obligations associated with pollution at the Berkley Avenue Warehouse project. The amount of the obligation is based on the contractor's experience in similar instances, taking into account sampling at the site, and applying usual and customary cost code rates. The potential for a change to the estimate is minimal. The City has received reimbursement of \$120,000 from the previous owner of the property to offset the costs associated with the pollution remediation.

During the fiscal year the School Board recognized a Liability for \$272,504 for pollution remediation obligations associated with asbestos, mold, caulk, drainage of oil, and aerosol can/drum removal from Transportation, Risk Management, and School Facilities. The amount of the obligation is based on the contractor's experience in similar instances, taking into account sampling at the sites and applying usual and customary cost code rates.

XX. Surety Bonds and Insurance

<u>Surety</u>	<u>Official</u>	<u>Amount</u>
Commonwealth of Virginia	Sharon McDonald, Commissioner of the Revenue	\$ 3,000
	Thomas W. Moss, Jr., City Treasurer	1,500,000
	Robert J. McCabe, Sheriff	30,000
	George E. Schaefer, Clerk of the Circuit Court	<u>2,235,000</u>
	Total Commonwealth of Virginia	<u>\$ 3,768,000</u>
Commonwealth of Virginia	All employees of the City Treasurer, Sheriff, Commissioner of the Revenue, Commonwealth's Attorney, and Clerk of the Circuit Court	
	Performance of Duty Bond	<u>\$ 500,000</u>
City of Norfolk	Travelers Insurance Co.	
	All City employees	<u>\$10,000,000</u>

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XXI. Self and Purchased Insurance Programs

The City is exposed to various risks of losses related to torts; theft and destruction of assets; errors and omissions; injuries to employees; and, natural disasters. On July 11, 1978, the City established a protected self-insurance program fund, pursuant to an ordinance adopted by City Council, to cover itself from these risks of losses. The program provides for the payment of claims liabilities, property losses, and related expenses covered by a combination of purchased insurance policies and self-insurance plans. The total of insurance premiums, self-insurance claims, and related expense payments made during fiscal year 2009 was \$6,739,497.

The City currently reports all these activities as part of the risk management function in the general government section of the General fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. For actuarial purposes, estimated outstanding losses are the accrual cost of unpaid claims valued as of each accounting date. The estimated outstanding losses include case reserves, the development on known claims and incurred but not reported (IBNR) claims. Allocated loss adjustment expenses (ALAE) are the direct expenses for settling specific claims. ALAE is included in the workers' compensation estimates, but excluded in the liability estimates. At June 30, 2009 these liabilities were \$34,507,189 of which \$4,086,109 represents the current portion anticipated to be paid within a year. Estimated liabilities for fiscal year 2009 were determined by an independent actuary and are reported using a present value discount rate of five percent.

Changes in the City's claims liability amount in the fiscal years 2008 through 2009 are as follows:

	Estimated Outstanding Losses Beginning of Fiscal Year	Claims Incurred Estimated	Claims Paid	Estimated Outstanding Losses End of Fiscal Year
2008	25,066,660	12,313,224	12,305,870	25,059,306
2009	25,059,306	14,134,010	4,686,127	34,507,189

The City in its General fund has designated \$840,162 of fund balance to provide for risks of loss and claims payments that may not be fully covered by purchased insurance or annual budget appropriations. There have not been any significant reductions in insurance coverage, and settled claims have not exceeded coverage in any of the past three fiscal years.

The School Board also participates in the program and its projected expected loss with no present value adjustment at June 30, 2009 was \$1,957,690. It also provides payments for its risks of loss through a combination of purchased insurance policies and

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self-insurance plans. These losses are funded through the Public Schools operating budgets and/or the City's fund balance designation.

XXII. Jointly Governed Organizations

A. Hampton Roads Regional Jail Authority (HRRJA)

HRRJA is a regional organization which includes the cities of Hampton, Newport News, Norfolk and Portsmouth, created for the purpose of providing, operating and maintaining a regional jail facility for the correctional overflow from each community. HRRJA is a primary government, with no component units, that is a body politic and corporate created pursuant to Article 3.1, Chapter 3, Title 53.1 of the Code of Virginia, as amended, and is governed by a twelve member Board of Directors, consisting of three representatives appointed by each of the member cities. The budgeting and financing of HRRJA are subject to the approval of the Board of Directors, with each individual having a single vote. HRRJA is responsible for its own financial matters, maintains its own books of account and is audited annually by independent accountants that it engages.

The participating governments do not have an equity interest in the HRRJA, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2009. Complete financial statements of HRRJA can be obtained from HRRJA.

B. Hampton Roads Planning District Commission (the Commission)

A regional planning agency authorized by the Virginia Area Development Act of 1968, was created by the merger of the Southeastern Virginia Planning District Commission and the Peninsula Planning District Commission on July 1, 1990. The Commission performs various planning services for the cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Portsmouth, Poquoson, Suffolk, Williamsburg and Virginia Beach, and the counties of Gloucester, Isle of Wight, James City, Southampton and York. Revenue of the Commission is received primarily from local governmental (member) contributions and various state and federal grant programs.

The participating governments do not have an equity interest in the Commission, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2009. Complete financial statements of the Commission can be obtained from the Commission.

C. Tidewater Transportation District Commission (TTDC)

A political subdivision of the Commonwealth of Virginia formed on May 9, 1973, as a joint exercise of governmental power in accordance with provisions of Chapter 32 of Title 15.1 of the Code of Virginia. TTDC provides public

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transportation facilities and services within the cities of Norfolk, Portsmouth, Virginia Beach, Chesapeake and Suffolk, Virginia. Oversight responsibility is exercised by all of the participating localities through their designated representatives. Responsibility for the day-to-day operations of TTDC rests with professional management.

The participating governments do not have an equity interest in TTDC, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2009. Complete financial statements of TTDC can be obtained from TTDC.

XXIII. Joint Venture

Southeastern Public Service Authority (SPSA)

SPSA is a joint venture of the cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach and the counties of Isle of Wight and Southampton, created for the purpose of providing, operating and maintaining a regional system for the collection, transfer, processing and disposal of solid waste refuse. SPSA is a primary government, with no component units, that is a public body politic and corporate created pursuant to the Virginia Water and Sewer Authorities Act, and is governed by an eight-member Board of Directors consisting of a representative appointed by each of the member cities and counties. Budgeting and financing of SPSA is subject to the approval of the Board of Directors with each representative having a single vote. The Authority is responsible for its own financial matters, maintains its own books of account and is audited annually by independent accountants that it engages.

The participating governments do not have an equity interest in SPSA, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2009. Complete financial statements of the SPSA can be obtained from SPSA.

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XXIV. Related Organizations

A. Norfolk Redevelopment and Housing Authority (NRHA)

The Norfolk Redevelopment and Housing Authority (NRHA), a political subdivision of the Commonwealth, was created by the City on July 30, 1940, under the provisions of the United States Housing Act of 1937. NRHA provides subsidized public housing and administers redevelopment and conservation efforts within the City in accordance with State and federal legislation. The seven members of the Board of Commissioners are appointed by City Council. NRHA is responsible, through a contract with the City, for the administration of such activities as community development and urban renewal. NRHA develops its operating budget without approval from City Council and executes contracts on its own behalf. NRHA is responsible for its own fiscal matters as it maintains its own book of accounts, is audited annually by independent accountants it engages, and has authority over earnings, deficits and monies other than City contract funds. The City contracts with NRHA to complete specific projects, generally capital improvement projects.

In 1997, the City entered into a supplemental cooperation agreement with NRHA to assist in the financing and construction of the Nordstrom store, in the MacArthur Center regional shopping mall. The construction of the Nordstrom store was financed with a loan partially secured by ground rental and store rental payments. The loan was further secured by a pledge of the City, subject to an appropriation of City Council, to fund any deficits in meeting annual debt service requirements. At the conclusion of a ten-year restriction, this loan was refinanced by the City in January 2008. Prior to the financing, primarily due to the financial relationship created by the loan, NRHA was considered to be a component unit of the City.

B. Norfolk Airport Authority

Norfolk Airport Authority, a political subdivision of the Commonwealth, was created to operate an airport and to promote industrial growth and consists of both an Airport fund and an Investment fund. The Airport fund was established by the Authority to account for the operations of the Norfolk International Airport (the Airport). Revenue generated by airport operations is used to meet all operating expenses and to provide for payment of all principal and interest on debt of the Authority related to the Airport. The Investment fund was established by the Authority to provide for certain airport capital improvements. The Authority finances individual capital projects by issuing bonds or obtaining loans and intergovernmental grants in its own name and concurrently entering into leases which provide for payment of all principal and interest on the related obligations as they become due. Revenue includes rental income on non-airport property owned by the Authority and interest on investments. The Authority's Commissioners are appointed by City Council but the Commission designates its own management and has oversight responsibility for its own fiscal matters. The City does not provide funds for the operations of the Authority and, pursuant to

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Section 144(q) of the City Charter; the Authority is required to submit its annual budget to the City Council for the purposes of information only. The City has the option to reacquire, without consideration, title to all property and equipment after payment by the Authority of all obligations relating to the improvements at the Airport.

C. The Economic Development Authority of the City of Norfolk (EDA)

The Economic Development Authority, a political subdivision of the Commonwealth of Virginia, was created by ordinance of the City of Norfolk in 1972, pursuant to the provisions of the Economic Development and Revenue Bond Act of the Commonwealth of Virginia (Title 15.1, Chapter 33, Section 15.1-1373, et seq., of the Code of Virginia (1950), as amended. It is authorized to acquire, own, lease and dispose of properties to the end that such activities may promote industry and develop trade by inducing manufacturing, industrial and commercial enterprises to locate or remain in the City and further the use of the Commonwealth's agricultural and natural resources. The EDA is empowered by the Commonwealth to authorize industrial development bonds and confer tax-exempt status on interest paid to financial institutions. The EDA acts as an intermediary between financial institutions and borrowers; it has no responsibility for borrowers' debt. Although Commissioners are appointed by City Council, the EDA designates its own management, which is self-sustaining, maintains its own books of account, engages its own independent accountant, and receives its revenue from administrative fees charged to borrowers.

D. The Chrysler Museum, Inc. (the Museum)

The Chrysler Museum, a Virginia non-stock, not-for-profit organization, was formed on January 1, 1980 by incorporating the Chrysler Museum at Norfolk. The main purpose of the Museum is the advancement, encouragement and promotion of the study and appreciation of art. The Museum designates its own management, which is self-sustaining, maintains its own books of account, engages its own independent accountant, and receives its revenue from administrative fees charged to visitors and from other independent grants.

E. The Hospital Authority of Norfolk (HAN)

The Hospital Authority of Norfolk, which has a nine-member Board of Commissioners appointed by City Council, is a tax-exempt, not-for-profit political subdivision of the Commonwealth created pursuant to an Agreement of Transfer dated July 1, 1998. HAN operates Lake Taylor Hospital as a long-term care facility licensed by the Virginia State Health Department to provide a continuum of patient care ranging from sub-acute hospital services to skilled nursing care.

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XXV. Subsequent Event

General Obligation Variable Rate Demand Bonds, Series 2007

Taking advantage of a provision in the American Recovery and Reinvestment Act of 2009 (ARRA) that provides a holiday from the alternative minimum tax (AMT) for bonds issued in 2009 and 2010, the City permanently converted the General Obligation Variable Rate Demand Bonds, Series 2007 from AMT to non-AMT tax status on Thursday, August 27, 2009.

The converted bonds were remarketed at an initial interest rate of 0.39% by Morgan Keegan. The final maturity, amortization and liquidity facility remain in place.

Wastewater System Revenue Bond, Series 2009

On November 17, 2009, the City issued \$7,500,000 in Wastewater System Revenue Bonds, utilizing a federally subsidized interest rate loan program administered by the Virginia Resource Authority Loan (VRA). The bonds were sold at a true interest cost of 0.00%.

XXVI. Accounting Pronouncements Issued But Not Yet Implemented

The GASB has issued several pronouncements that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements will have on the City.

- GASB Statement 51, *Accounting and Financial Reporting for Intangible Assets*. GASB 51 requires that all intangible assets including easements, water rights, timber rights, patents, trademarks and computer software not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. Additionally, GASB 51 establishes a specified-conditions approach to recognizing intangible assets that are internally generated and establishes criteria for when such expenditures should be capitalized. GASB 51 is effective for periods beginning after June 15, 2009, and generally requires its provisions to be applied retroactively.
- GASB Statement 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB 53 addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments to manage specific risks or to make investments. A key provision of this statement is that derivative instruments covered in its scope with limited exception, are reported at fair value. For many derivative instruments, historical prices are zero because their terms are developed so that the instruments may be entered into without a payment being received or made. The changes in fair value of derivative instruments used for investment purposes are reported within the investment revenue classification. Alternatively, changes in fair value of derivative instruments that are classified as

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For the Year Ended June 30, 2009

hedging derivative instruments are reported in the statement of net assets as deferred inflows or outflows. Effectiveness of the instruments is to be analyzed. Objectives, terms and risks of hedging derivative instruments are required disclosures. Disclosures also will include a summary of derivative instrument activity that provides an indication of the fair value amounts reported on the financial statements. The improvements under GASB 53, which becomes effective for periods beginning after June 15, 2009, should allow users of a government's financial statements to more fully understand resources available to provide services.

- GASB Statement 54: *Fund Balance Reporting and Governmental Fund type Definitions*. GASB 54 more clearly defines the classifications of fund balance for more consistent application, and also clarifies the definition of existing governmental fund types. The new classifications of fund balance will comprise a hierarchy based on the extent to which the government is bound to observe constraints imposed upon the use of the financial resources of the funds. Fund balance will be reported in the following categories: nonspendable, restricted, committed, assigned and unassigned, depending on the relative strength of the constraints that control how the resources are spent. Disclosures are required about the processes through which constraints are imposed on amounts in the committed and assigned categories. Disclosures must also include the governments policies that determine the type of fund balance categories spent. There is also guidance in the statement regarding classification of stabilization amounts on the financial statements and related note disclosures. The changes to fund balance required by GASB 54 are effective for periods beginning after June 15, 2010, with reclassifications of fund balance applied retroactively for all periods presented.

**REQUIRED SUPPLEMENTARY
INFORMATION**
***(OTHER THAN MANAGEMENT'S
DISCUSSION & ANALYSIS)***

(Unaudited)



CITY OF NORFOLK, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress (unaudited)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a percentage of covered payroll</u>
<u>Retirement Plans:</u>						
CITY - EMPLOYEES' RETIREMENT SYSTEM						
June 30, 2005	\$ 854,100,000	\$ 883,900,000	\$ 29,800,000	96.6%	\$ 160,200,000	18.6%
June 30, 2006	\$ 881,000,000	\$ 939,100,000	\$ 58,100,000	93.8%	\$ 159,300,000	36.5%
June 30, 2007	\$ 925,800,000	\$ 972,200,000	\$ 46,400,000	95.2%	\$ 168,100,000	27.6%
June 30, 2008	\$ 937,800,000	\$ 1,009,100,000	\$ 71,300,000	92.9%	\$ 175,400,000	40.6%
June 30, 2009	\$ 885,600,000	\$ 1,029,600,000	\$ 144,000,000	86.0%	\$ 179,600,000	80.2%
CITY - VRS EMPLOYEES						
June 30, 2004	\$ 30,349,720	\$ 26,612,472	\$ (3,737,248)	114.0%	\$ 21,369,062	-17.5%
June 30, 2005	\$ 32,467,638	\$ 32,346,396	\$ (121,242)	100.4%	\$ 22,898,124	-0.5%
June 30, 2006	\$ 35,756,786	\$ 36,121,461	\$ 364,675	99.0%	\$ 23,344,075	1.6%
June 30, 2007	\$ 41,467,595	\$ 40,237,331	\$ (1,230,264)	103.1%	\$ 24,931,958	-4.9%
June 30, 2008	\$ 47,154,626	\$ 52,000,548	\$ 4,845,922	90.7%	\$ 25,854,549	18.7%
SCHOOL BOARD COMPONENT UNIT - VRS NON-PROFESSIONAL EMPLOYEES						
June 30, 2004	\$ 52,765,749	\$ 54,345,074	\$ 1,579,325	97.1%	\$ 13,647,900	11.6%
June 30, 2005	\$ 52,906,114	\$ 61,150,786	\$ 8,244,672	86.5%	\$ 14,211,173	58.0%
June 30, 2006	\$ 55,282,776	\$ 60,006,661	\$ 4,723,885	92.1%	\$ 14,246,198	33.2%
June 30, 2007	\$ 61,180,012	\$ 66,118,525	\$ 4,938,513	92.5%	\$ 15,236,207	32.4%
June 30, 2008	\$ 66,558,849	\$ 72,573,728	\$ 6,014,880	91.7%	\$ 17,520,165	34.3%
<u>Other Post-employment Benefits (OPEB):</u>						
CITY EMPLOYEES AND RETIREES						
July 1, 2007	\$ -	\$ 43,566,000	\$ 43,566,000	0.0%	\$ 170,956,000	25.5%
July 1, 2008	\$ -	\$ 44,572,743	\$ 44,572,743	0.0%	\$ 168,196,094	26.5%
SCHOOL EMPLOYEES AND RETIREES						
July 1, 2007	\$ -	\$ 59,700,000	\$ 59,700,000	0.0%	\$ 232,465,000	25.7%
July 1, 2008	\$ -	\$ 51,451,816	\$ 51,451,816	0.0%	\$ 194,139,309	26.5%
TOTAL						
July 1, 2007	\$ -	\$ 103,266,000	\$ 103,266,000	0.0%	\$ 403,421,000	25.6%
July 1, 2008	\$ -	\$ 96,024,559	\$ 96,024,559	0.0%	\$ 362,335,403	26.5%

CITY OF NORFOLK, VIRGINIA
Schedule of Revenue, Budget and Actual (Unaudited)
General Fund
For the Year Ended June 30, 2009

Exhibit E-1

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budget Basis Actual</u>	<u>Positive (negative) Variance with Final Budget</u>
General property taxes	\$ 250,017,800	\$ 250,017,800	\$ 249,021,469	\$ (996,331)
Other local taxes	158,925,500	158,925,500	149,143,513	(9,781,987)
Permits, privilege fees, licenses	4,124,300	4,124,300	4,011,771	(112,529)
Fines and forfeitures	1,635,000	1,635,000	1,259,775	(375,225)
Use of money and property	10,958,000	10,958,000	6,675,785	(4,282,215)
Charges for services	24,032,700	24,032,700	24,745,337	712,637
Miscellaneous revenue	4,036,600	4,036,600	6,323,499	2,286,899
Recovered costs	9,648,300	9,648,300	8,959,632	(688,668)
Non-categorical aid - Virginia	33,861,800	33,861,800	33,498,664	(363,136)
Shared expense - Virginia	22,000,000	22,000,000	21,359,234	(640,766)
Categorical aid - Virginia	282,037,300	282,037,300	276,702,911	(5,334,389)
Categorical aid - Federal	6,291,500	6,291,500	7,369,298	1,077,798
Other sources and transfers	19,711,500	19,711,500	19,844,030	132,530
Total revenue budget	<u>\$ 827,280,300</u>	<u>\$ 827,280,300</u>	<u>\$ 808,914,918</u>	<u>\$ (18,365,382)</u>

CITY OF NORFOLK, VIRGINIA

Exhibit E-2

Schedule of Expenditures, Budget and Actual (Unaudited)

General Fund

For the Year Ended June 30, 2009

	Original Budget	Final Budget	Budget Basis Actual	Positive (negative) Variance with Final Budget
Legislative	\$ 4,653,800	\$ 4,688,687	\$ 4,647,441	\$ 41,246
Executive	2,066,800	2,064,297	1,925,456	138,841
Department of Law	3,930,200	3,904,314	3,837,367	66,947
Finance	23,529,900	24,118,881	24,498,917	(380,036)
Department of Human Resources	4,131,700	4,039,053	3,907,982	131,071
Courts, Sheriff and Detention	45,614,200	46,365,438	47,219,000	(853,562)
Department of Public Health	6,054,200	5,819,160	5,724,176	94,984
Department of Human Services	60,672,900	60,019,259	60,006,153	13,106
Department of Public Works	42,906,400	41,879,800	41,446,500	433,300
Neighborhood & Leisure Services	23,918,700	23,481,962	22,325,544	1,156,418
Education	330,190,900	330,190,900	324,119,457	6,071,443
Norfolk Public Libraries	8,688,700	8,570,038	8,672,898	(102,860)
Elections	612,300	722,617	767,109	(44,492)
Department of Planning	4,912,000	4,865,613	4,426,660	438,953
Department of Civic Facilities	6,460,300	6,689,728	6,847,956	(158,228)
Departmental support	23,145,800	24,181,987	19,075,342	5,106,645
Outside agencies	37,822,600	38,023,451	35,146,266	2,877,185
Department of Police	61,547,500	61,515,601	65,043,111	(3,527,510)
Department of Fire and Rescue	38,149,700	38,069,700	38,719,999	(650,299)
Debt service	77,829,200	77,829,200	72,747,445	5,081,755
Office of Community Empowerment	600,000	570,517	434,573	135,944
Budget and Management	846,300	820,835	660,294	160,541
Economic Development	2,137,400	2,117,765	2,117,583	182
Intergovernmental Programs	562,100	543,111	543,888	(777)
Communications and Public Relations	1,613,600	1,648,366	1,790,737	(142,371)
Department of Information Technology	10,716,600	10,584,540	10,681,014	(96,474)
Office of Grants Management	231,300	241,216	291,622	(50,406)
Virginia Zoological Park	3,537,600	3,519,643	3,599,405	(79,762)
Office of Homelessness	197,600	194,621	185,509	9,112
Total expenditure budget	<u>\$ 827,280,300</u>	<u>\$ 827,280,300</u>	<u>\$ 811,409,404</u>	<u>\$ 15,870,896</u>

CITY OF NORFOLK, VIRGINIA
Notes to Required Supplementary Information
Reconciliation of (non-GAAP) Budgetary Basis to GAAP (Unaudited)
June 30, 2009

	General Fund
<u>Sources/inflows of resources:</u>	
Actual amounts (budgetary basis) "available for appropriation" from Exhibit E-1	\$ 808,914,918
Differences--budget to GAAP:	
The effects of accounting for school revenue as a component unit	(219,618,430)
The effects of accounting for transfer from fund balance	(6,895,800)
General fund transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(12,948,230)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 569,452,458</u>
<u>Uses/outflows of resources:</u>	
Actual amounts (budgetary basis) "Total charges to appropriations" from Exhibit E-2	\$ 811,409,404
Differences--budget to GAAP:	
The effects of accounting for school expenditures as a component unit	(219,608,326)
Equipment purchased with bond proceeds	8,487,667
The effects of accounting for the FY-08 5% budget reserve	(827,904)
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes	772,732
General fund transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(85,652,562)
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances--Governmental Funds	<u>\$ 514,581,011</u>
There were no material violations of the annual appropriated budget for the General fund for the fiscal year	

OTHER SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS

**~ Nonmajor Governmental Funds ~
~Agency Funds ~
~ Internal Service Funds ~**

OTHER SCHEDULES

~ Schedule of Expenditures of Federal Awards ~

~ Notes to Schedule of Expenditures of Federal Awards ~

**~ Schedule of Revenues and Expenditures – Budget and
Actual – Special Revenue Funds ~**

**Schedule of Revenues and Expenditures – Budget and
Actual – Internal Service Funds ~**

**Schedule of Revenues and Expenditures – Budget and
Actual – Capital Projects Fund ~**



Nonmajor Governmental Funds

Special Revenue Funds

The Special Revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. The individual special revenue funds are:

Storm Water Fund: To account for the operation of the environmental storm water management system, including maintenance of storm water drainage facilities. The costs of providing services on a continuing basis are partially financed or recovered through user charges to Norfolk residents and commercial and industrial customers.

Towing & Recovery Operations Fund: To improve neighborhood livability by providing reliable dispatching of towing services, storage of vehicles and recovery or disposal of vehicles.

Grants Fund: To account for the receipt and disbursement of revenue from such sources as federal and state agencies, adjacent municipalities, and City matching funds and to finance special programs that may have reporting periods that do not correspond with the City's fiscal year.

Community Development Fund: To account for all entitlement funds received under Title I of the Housing and Community Development Act of 1974, commonly known as the Community Development Block Grant Program.

National Maritime Center (Nauticus) Fund: To account for the operation of the National Maritime Center and Battleship Wisconsin tours.

National Maritime Facilities Fund: To account for the operation of the National Maritime Facilities and Cruise Terminal.

Cemeteries Fund: To account for the operation of the City of Norfolk's cemeteries.

Golf Fund: To account for the operation of the City of Norfolk's golf courses.

Public Amenities Fund: To promote cultural and entertainment activity in the downtown area.

Land Acquisition Fund: To provide resources to assemble land that is in the public interest.

Emergency Operations Center/911 Fund: To account for the operation of the City of Norfolk's emergency operations center/911.



Nonmajor Governmental Funds (Con't.)

Tax Increment Financing Fund: To account for debt service requirements for the Section 108 Loan and property tax collections within the Broad Creek Renaissance Tax Increment Financing District.

Permanent Fund

The Permanent fund is used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs. The City's permanent fund (non-expendable trust) is used to account for the perpetual care and endowed care at certain City owned cemeteries.



CITY OF NORFOLK, VIRGINIA
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2009

	Special Revenue Funds						
	Storm Water	Towing	Grants	Community Development	Nauticus	Maritime Facility	Cemeteries
ASSETS							
Cash and short term investments	\$ 4,486,158	\$ 754,110	\$ 8,897,193	\$ 722,262	\$ 24,760	\$ 352,294	\$ 366,964
Investments	-	-	9,957	-	-	-	-
Receivables, net	1,568,430	4,095	1,044,103	675,070	327,709	399,433	70,506
Due from other funds	4,572,178	55,018	10,020,085	18,954	-	579,244	380,404
Due from other governments	-	-	5,250,642	-	-	-	-
Prepays	-	15,965	-	-	-	-	-
Other	-	-	-	-	-	-	-
Deposit with contractors	-	-	13,065	-	-	-	-
Total assets	<u>\$ 10,626,766</u>	<u>\$ 829,188</u>	<u>\$ 25,235,045</u>	<u>\$ 1,416,286</u>	<u>\$ 352,469</u>	<u>\$ 1,330,971</u>	<u>\$ 817,874</u>
LIABILITIES							
Vouchers payable	\$ 383,481	\$ 20,128	\$ 1,016,159	\$ 460,181	\$ 217,882	\$ 30,546	\$ 63,414
Contract retainage	-	-	152,900	-	-	-	-
Accrued payroll	72,318	8,845	55,303	4,065	51,440	3,271	-
Accrued expenses	-	-	-	-	-	-	-
Due to other funds	7,587,455	24,005	863,448	10,768	69,560	-	150,000
Due to other governments	-	-	7,395,513	383,137	-	-	-
Unearned revenue	258,724	-	-	558,135	-	-	-
Other liabilities	-	26,350	422	-	-	-	117,871
Total liabilities	<u>8,301,978</u>	<u>79,328</u>	<u>9,483,745</u>	<u>1,416,286</u>	<u>338,882</u>	<u>33,817</u>	<u>331,285</u>
FUND BALANCES							
Reserved for:							
Encumbrances	553,631	30,636	15,751,300	3,199,438	68,204	25,811	73,630
Perpetual care	-	-	-	-	-	-	-
Capital projects	34,559	-	-	-	-	-	-
Unreserved:							
Undesignated	1,736,598	719,224	-	(3,199,438)	(54,617)	1,271,343	412,959
Total fund balances	<u>2,324,788</u>	<u>749,860</u>	<u>15,751,300</u>	<u>-</u>	<u>13,587</u>	<u>1,297,154</u>	<u>488,589</u>
Total liabilities and fund balances	<u>\$ 10,626,766</u>	<u>\$ 829,188</u>	<u>\$ 25,235,045</u>	<u>\$ 1,416,286</u>	<u>\$ 352,469</u>	<u>\$ 1,330,971</u>	<u>\$ 817,874</u>

CITY OF NORFOLK, VIRGINIA
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2009

Exhibit F-1

Special Revenue Funds						Permanent Funds	Nonmajor Governmental Funds
Golf	Public Amenities	Land Acquisition	EOC/ 911	Tax Increment	Total Special Revenue	Non- Expendable trust	
\$ 174,990	\$ 2,016,589	\$ 1,051,980	\$ 1,254,318	\$ 1,620,051	\$ 21,721,669	\$ 6,296,663	\$ 28,018,332
-	-	-	-	-	9,957	-	9,957
-	492,925	-	195,811	-	4,778,082	13,629	4,791,711
76,779	2,090,871	1,090,731	1,306,407	1,679,378	21,870,049	-	21,870,049
-	-	-	-	-	5,250,642	-	5,250,642
-	-	-	-	-	15,965	-	15,965
-	-	-	-	-	-	160,356	160,356
-	-	-	-	-	13,065	-	13,065
<u>\$ 251,769</u>	<u>\$ 4,600,385</u>	<u>\$ 2,142,711</u>	<u>\$ 2,756,536</u>	<u>\$ 3,299,429</u>	<u>\$ 53,659,429</u>	<u>\$ 6,470,648</u>	<u>\$ 60,130,077</u>
\$ 25,555	\$ -	\$ -	\$ 33,240	\$ -	\$ 2,250,586	\$ -	\$ 2,250,586
-	-	-	-	-	152,900	-	152,900
-	-	-	95,475	-	290,717	-	290,717
-	-	-	7,060	-	7,060	-	7,060
226,214	-	-	-	-	8,931,450	-	8,931,450
-	-	-	-	-	7,778,650	-	7,778,650
-	-	-	-	-	816,859	-	816,859
-	-	173,500	-	-	318,143	-	318,143
<u>251,769</u>	<u>-</u>	<u>173,500</u>	<u>135,775</u>	<u>-</u>	<u>20,546,365</u>	<u>-</u>	<u>20,546,365</u>
18,233	120,000	-	702,720	-	20,543,603	-	20,543,603
-	-	-	-	-	-	6,470,648	6,470,648
-	-	-	-	-	34,559	-	34,559
(18,233)	4,480,385	1,969,211	1,918,041	3,299,429	12,534,902	-	12,534,902
-	4,600,385	1,969,211	2,620,761	3,299,429	33,113,064	6,470,648	39,583,712
<u>\$ 251,769</u>	<u>\$ 4,600,385</u>	<u>\$ 2,142,711</u>	<u>\$ 2,756,536</u>	<u>\$ 3,299,429</u>	<u>\$ 53,659,429</u>	<u>\$ 6,470,648</u>	<u>\$ 60,130,077</u>

City of Norfolk, Virginia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

	Special Revenue Funds					
	Storm Water	Towing	Grants	Community Development	Nauticus	Maritime Facility
REVENUES						
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other local taxes	-	-	-	-	-	-
Use of money and property	34,027	13,541	7,635	-	50,601	207,466
Charges for services	10,523,177	1,605,787	1,386,931	1,538,606	1,244,261	1,163,089
Miscellaneous	-	83,940	1,793,525	158,851	107,457	-
Intergovernmental:						
Commonwealth of Virginia	-	-	10,372,870	-	-	-
Federal government	-	-	9,833,773	5,336,853	277,342	-
Total revenue	10,557,204	1,703,268	23,394,734	7,034,110	1,679,661	1,370,555
EXPENDITURES						
General government	-	-	121,220	-	-	-
Judicial administration	-	-	3,030,330	-	-	-
Public safety	-	-	3,091,910	-	-	-
Public works	8,390,498	1,908,155	7,041,439	-	-	-
Health and public assistance	-	-	22,602,873	3,714,719	-	-
Cultural and recreation	-	-	1,181,935	-	4,099,734	1,119,344
Community development	-	-	-	3,319,391	-	-
Capital outlay	-	-	-	-	-	-
Debt service	-	-	-	-	-	485,000
Interest and other charges	-	-	-	-	-	583,151
Total expenditures	8,390,498	1,908,155	37,069,707	7,034,110	4,099,734	2,187,495
Excess (deficiency) of revenue over (under) expenditures	2,166,706	(204,887)	(13,674,973)	-	(2,420,073)	(816,940)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	10,506,286	-	2,437,772	215,191
Transfers out	(2,313,820)	-	(815,700)	-	-	-
Total other financing sources and uses	(2,313,820)	-	9,690,586	-	2,437,772	215,191
Net change in fund balances	(147,114)	(204,887)	(3,984,387)	-	17,699	(601,749)
Fund balances--beginning	2,471,902	954,747	19,735,687	-	(4,112)	1,898,903
Fund balances--ending	\$ 2,324,788	\$ 749,860	\$ 15,751,300	\$ -	\$ 13,587	\$ 1,297,154

City of Norfolk, Virginia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

Exhibit F-2

Special Revenue Funds						Permanent Funds		Total Nonmajor Governmental Funds
Cemeteries	Golf	Public Amenities	Land Acquisition	EOC/ 911	Tax Increment	Total Special Revenue	Non-Expendable Trust	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,982,200	\$ 2,982,200	\$ -	\$ 2,982,200
-	-	5,175,449	-	3,607,702	-	8,783,151	-	8,783,151
-	85,652	-	-	-	123	399,045	199,694	598,739
1,196,018	1,121,601	-	-	1,920	-	19,781,390	182,028	19,963,418
-	-	-	-	1,225,502	-	3,369,075	-	3,369,075
-	-	-	-	-	-	10,372,870	-	10,372,870
-	-	-	-	63,617	-	15,511,585	-	15,511,585
1,196,018	1,207,253	5,175,449	-	4,898,741	2,982,323	61,199,316	381,722	61,581,038
-	-	-	-	-	-	121,220	-	121,220
-	-	-	-	-	-	3,030,330	-	3,030,330
-	-	-	-	7,053,754	-	10,145,664	-	10,145,664
-	-	-	-	-	-	17,340,092	-	17,340,092
-	-	-	-	-	-	28,317,592	-	28,317,592
2,120,118	1,516,105	406,000	-	-	-	10,443,236	-	10,443,236
-	-	-	-	-	-	3,319,391	-	3,319,391
-	-	-	522,800	-	-	522,800	-	522,800
-	-	-	-	-	-	485,000	-	485,000
-	-	-	-	-	737,686	1,320,837	-	1,320,837
2,120,118	1,516,105	406,000	522,800	7,053,754	737,686	73,046,162	-	73,046,162
(924,100)	(308,852)	4,769,449	(522,800)	(2,155,013)	2,244,637	(11,846,846)	381,722	(11,465,124)
1,122,736	76,779	-	-	1,627,787	-	15,986,531	-	15,986,531
(150,000)	-	(3,055,169)	-	-	(3,000,000)	(9,334,699)	(305,580)	(9,640,269)
972,736	76,779	(3,055,169)	-	1,627,787	(3,000,000)	6,651,842	(305,580)	6,346,262
48,636	(232,073)	1,714,280	(522,800)	(527,246)	(755,363)	(5,195,004)	76,142	(5,118,862)
437,953	232,073	2,886,105	2,492,011	3,148,007	4,054,792	38,308,068	6,394,506	44,702,574
\$ 466,589	\$ -	\$ 4,800,385	\$ 1,969,211	\$ 2,620,761	\$ 3,299,429	\$ 33,113,064	\$ 6,470,648	\$ 39,583,712

Agency Funds

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds:

Agency Fund – Other; to account for other monies held for private organizations and other funds.

Agency Fund – Commonwealth of Virginia; to account for monies on deposit with the City Treasurer held for the Treasurer of the Commonwealth of Virginia.



CITY OF NORFOLK, VIRGINIA

Exhibit G-1

Combining Balance Sheet - Agency Funds June 30, 2009

	Other	Commonwealth of Virginia	Total
ASSETS			
Cash and short term investments	\$ 3,396,848	\$ 8,670	\$ 3,405,518
Receivables, net of allowance for uncollectible accounts	13,795	-	13,795
Other	129,846	-	129,846
Total assets	<u>\$ 3,540,489</u>	<u>\$ 8,670</u>	<u>\$ 3,549,159</u>
LIABILITIES			
Vouchers payable	\$ 68,292	\$ -	\$ 68,292
Due to other agencies	3,472,197	8,670	3,480,867
Total liabilities	<u>\$ 3,540,489</u>	<u>\$ 8,670</u>	<u>\$ 3,549,159</u>

CITY OF NORFOLK, VIRGINIA

Exhibit G-2

**Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2009**

	Other		
	Balance July, 1,2008	Additions	Deductions
ASSETS			
Cash and short term investments	\$ 9,239,734	\$ 13,078,923	\$ 18,921,809
Accounts receivable	1,045	13,011	261
Other receivables	523,305	1,074,147	1,467,606
Total assets	<u>\$ 9,764,084</u>	<u>\$ 14,166,081</u>	<u>\$ 20,389,676</u>
LIABILITIES			
Vouchers payable	\$ 26,215	\$ 1,478,096	\$ 1,436,019
Due to other agencies	9,737,869	13,235,605	19,501,277
Total liabilities	<u>\$ 9,764,084</u>	<u>\$ 14,713,701</u>	<u>\$ 20,937,296</u>

	Commonwealth of Virginia		
	Balance July, 1,2008	Additions	Deductions
ASSETS			
Cash and short term investments	\$ 18,114	\$ 14,187,430	\$ 14,196,874
Total assets	<u>\$ 18,114</u>	<u>\$ 14,187,430</u>	<u>\$ 14,196,874</u>
LIABILITIES			
Due to the Commonwealth of Virginia	\$ 18,114	\$ 14,187,430	\$ 14,196,874
Total liabilities	<u>\$ 18,114</u>	<u>\$ 14,187,430</u>	<u>\$ 14,196,874</u>

	Total		
	Balance July, 1,2008	Additions	Deductions
ASSETS			
Cash and short term investments	\$ 9,257,848	\$ 27,266,353	\$ 33,118,683
Accounts receivable	1,045	13,011	261
Other receivables	523,305	1,074,147	1,467,606
Total assets	<u>\$ 9,782,198</u>	<u>\$ 28,353,511</u>	<u>\$ 34,586,550</u>
LIABILITIES			
Vouchers payable	\$ 26,215	\$ 1,478,096	\$ 1,436,019
Due to other agencies	9,755,983	27,423,035	33,698,151
Total liabilities	<u>\$ 9,782,198</u>	<u>\$ 28,901,131</u>	<u>\$ 35,134,170</u>

Internal Service Funds

Internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis. The individual internal service funds are:

Storehouse Fund; to acquire and issue to the operating departments materials, parts, and supplies which are used in the same form as purchased.

Fleet Management Fund; to provide the operating departments with maintenance, repair and service for the City fleet of vehicles, heavy equipment and miscellaneous machinery.



CITY OF NORFOLK, VIRGINIA
Combining Statement of Net Assets - Internal Service Funds
June 30, 2009

Exhibit H-1

	Storehouse	Fleet Management	Total
ASSETS			
Current assets:			
Cash and short term investments	\$ 36	\$ 2,214,513	\$ 2,214,549
Receivables, net	2,323	31,237	33,560
Due from other funds	137,175	1,914,846	2,052,021
Due from component unit	-	15,998	15,998
Inventories	1,944,866	444,011	2,388,877
Total current assets	2,084,400	4,620,605	6,705,005
Noncurrent assets:			
Capital assets:			
Land	-	415,000	415,000
Buildings and equipment, net	29,410	5,060,722	5,090,132
Total noncurrent assets	29,410	5,475,722	5,505,132
Total assets	2,113,810	10,096,327	12,210,137
LIABILITIES			
Current liabilities:			
Vouchers payable	2	307,437	307,439
Due to other funds	234,108	88,459	322,567
Compensated absences	32,667	212,281	244,948
Accrued payroll	9,733	60,632	70,365
Obligations for employees' retirement	62,832	385,440	448,272
Other liabilities	-	5,082	5,082
Total current liabilities	339,342	1,059,331	1,398,673
Noncurrent liabilities:			
Compensated absences	6,691	90,978	97,669
Total noncurrent liabilities	6,691	90,978	97,669
Total liabilities	346,033	1,150,309	1,496,342
NET ASSETS			
Invested in capital assets, net			
of related debt	29,410	5,470,640	5,500,050
Unrestricted	1,738,367	3,475,378	5,213,745
Total net assets	\$ 1,767,777	\$ 8,946,018	\$ 10,713,795

CITY OF NORFOLK, VIRGINIA
Combining Statement of Revenues, Expenses, and
Changes in Fund Net Assets - Internal Service Funds
For the Year Ended June 30, 2009

Exhibit H-2

	Storehouse	Fleet Management	Total
OPERATING REVENUES			
Charges for services	\$ 3,560,209	\$ 10,557,671	\$ 14,117,880
Miscellaneous	-	101,374	101,374
Total operating revenues	<u>3,560,209</u>	<u>10,659,045</u>	<u>14,219,254</u>
OPERATING EXPENSES			
Personal services	476,511	2,999,535	3,476,046
Cost of goods sold	2,866,402	5,858,048	8,724,450
Plant operations	13,765	265,913	279,678
Depreciation	4,872	330,413	335,285
Retirement and OPEB contributions	78,821	485,185	564,006
Provision for bad debts	-	496,567	496,567
Other	47,207	982,363	1,029,570
Total operating expenses	<u>3,487,578</u>	<u>11,418,024</u>	<u>14,905,602</u>
Operating income (loss)	<u>72,631</u>	<u>(758,979)</u>	<u>(686,348)</u>
NONOPERATING REVENUE			
Interest and investment income	74	9,978	10,052
Loss on disposal of assets	-	(36,040)	(36,040)
Total nonoperating revenue	<u>74</u>	<u>(26,062)</u>	<u>(25,988)</u>
Net income (loss)	<u>72,705</u>	<u>(785,041)</u>	<u>(712,336)</u>
Change in net assets	72,705	(785,041)	(712,336)
Net assets--beginning	1,695,072	9,731,059	11,426,131
Net assets--ending	<u>\$ 1,767,777</u>	<u>\$ 8,946,018</u>	<u>\$ 10,713,795</u>

CITY OF NORFOLK, VIRGINIA
Combining Statement of Cash Flows - Internal Service Funds
For the Year Ended June 30, 2009

Exhibit H-3

	Storehouse	Fleet Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 3,561,239	\$ 10,543,988	\$ 14,105,227
Payments to suppliers	(3,045,460)	(6,386,757)	(9,432,217)
Payments to employees	(538,323)	(3,352,923)	(3,891,246)
Other payments	(4,872)	(982,363)	(987,235)
Net cash used in operating activities	<u>(27,416)</u>	<u>(178,055)</u>	<u>(205,471)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Internal activity	<u>27,334</u>	<u>(1,960,114)</u>	<u>(1,932,780)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	-	(49,628)	(49,628)
Principal paid on capital debt	-	(2,620)	(2,620)
Net cash used by capital and related financing activities	<u>-</u>	<u>(52,248)</u>	<u>(52,248)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends	<u>74</u>	<u>9,978</u>	<u>10,052</u>
Net cash provided by investing activities	<u>74</u>	<u>9,978</u>	<u>10,052</u>
Net decrease in cash and short term investments	(8)	(2,180,439)	(2,180,447)
Cash and short term investments - beginning of the year	<u>44</u>	<u>4,394,952</u>	<u>4,394,996</u>
Cash and short term investments - end of the year	<u>\$ 36</u>	<u>\$ 2,214,513</u>	<u>\$ 2,214,549</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 72,631	\$ (758,979)	\$ (686,348)
Adjustments to reconcile operating income to net cash used in operating activities:			
Depreciation expense	4,872	330,413	335,285
Provision for bad debts	-	496,567	496,567
Loss on disposal of assets	-	-	-
Change in assets and liabilities:			
Receivables, net	1,030	(115,057)	(114,027)
Inventories	(74,682)	(54,357)	(129,039)
Vouchers payable	(48,275)	(208,439)	(256,714)
Accrued payroll	151	11,965	12,116
Other liabilities	16,857	119,832	136,689
Net cash used in operating activities	<u>\$ (27,416)</u>	<u>\$ (178,055)</u>	<u>\$ (205,471)</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS



CITY OF NORFOLK, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Schedule I

Federal Granting Agency/Recipient Recipient State Agency/Grant program	CFDA Number	Federal Expenditures	ARRA Expenditures
<u>Department of Agriculture:</u>			
Direct Payments:			
USDA Summer Food Service Program (SFSP)	10.559	259,780	-
Food Stamp Program - Administration	10.561	4,495,416	-
Pass-through Payments:			
State Department of Agriculture:			
National School Breakfast Program	10.553	2,494,533	-
National School Lunch Program	10.555	7,732,014	-
National School Lunch Program (Commodities)	10.556	1,084,757	-
Fruit and Vegetable Program	10.582	163,467	-
<u>Department of Housing and Urban Development:</u>			
Direct Payments:			
Community Development Block Grant	14.218	5,336,853	-
For Kids, Inc. Haven Family Services	14.231	54,387	-
Salvation Army	14.231	50,401	-
Ecumenical Family Shelter	14.231	74,895	-
St Columbia	14.231	21,416	-
YWCA Shelter Program	14.231	17,603	-
YWCA Women in Crisis	14.231	51,786	-
		270,488	
Supportive Housing Program	14.235	257,437	-
Shelter Plus Care Program	14.238	397,555	-
Home Administration	14.239	151,125	-
Home CHDO Investment Plan	14.239	94,795	-
Home Loan Program	14.239	51,474	-
Home - Norfolk Now	14.239	393,968	-
NRHA - Homebuyer Assistance	14.239	837,809	-
Equity Secure - Rehabilitation	14.239	514,659	-
		2,043,830	
<u>Department of Justice:</u>			
Direct Payments:			
Community Oriented Policing Services:			
Bulletproof Vests Grant	16.607	26,760	-
Asset Forfeiture - Special Police Grant	16.700	122,287	-
COPS	16.710	506,124	-
Pass-Through Payments:			
Department of Criminal Justice Services:			
Justice Assistance Grant	16.523	155,783	-
Juvenile Accountability Incentive	16.523	49,081	-
Edward Byrne Memorial Grant	16.523	55,275	-
		260,139	
VSTOP Prosecutorial Project	16.540	37,635	-
Adult Drug Court	16.579	31,625	-
Recruit and Retain Criminal Jus Prof	16.579	11,023	-
Crime and Delinquency Prevention	16.579	43,239	-
Truancy Prevention	16.579	20,899	-
		106,786	
Project Safe Neighborhoods	16.609	82,190	-
Criminal Justice Information Quality Improvement	16.738	17,058	-

CITY OF NORFOLK, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Schedule I

Federal Granting Agency/Recipient Recipient State Agency/Grant program	CFDA Number	Federal Expenditures	ARRA Expenditures
<u>Department of Labor:</u>			
Direct Payments:			
VETS - Homeless Veterans Program	17.805	7,000	-
ARRA - Workforce Investment Act - Youth Activities	17.259		78,595
<u>Department of Transportation:</u>			
Pass-Through Payments:			
Selective Enforcement	20.511	27,005	-
Virginia Port Authority	20.801	56,000	-
<u>Environmental Protection Agency:</u>			
Pass-Through Payments:			
Virginia Resources Authority - Revolving Loan	66.458	5,173,004	-
<u>Department of Homeland Security</u>			
Direct Payments:			
FEMA - Flood Mitigation	97.029	31,701	-
Disaster Grants - Public Assistance	97.036	63,617	-
FEMA - Assistance to Firefighters	97.044	21,331	-
Port Security Grant	97.056	42,152	-
Pass-Through Payments:			
Terrorism Prevention	97.004	29,190	-
Law Enforcement Terrorism Prevention	97.004	88,615	-
		117,805	
FEMA Flood Mitigation	97.029	49,664	-
Buffer Zone	97.078	49,496	-
<u>Department of Education:</u>			
Direct Payments:			
Department of Defense	84.010	22,922	-
School Assistance in Federally Affected Areas	84.041	6,061,893	-
Pass-Through Payments:			
Department of Education:			
Education Consolidation and Improvement Act of 1981:			
Adult Literacy	84.002	300,377	-
Title I:			
Educationally Deprived Children- Programs Operated by LEA's	84.010	13,867,761	-
Program for Neglected Children	84.013	24,927	-
Chapter I:			
Evenstart Program	84.213	377,692	-
Title VI:			
Negligent Delinquent Children	84.010	227,962	-
Elementary and Secondary Education Act (ESEA):			
Title VI-B:			
Assistance to States for Education of Handicapped			
Children:			
Special Education Flow Thru (Federal)	84.027	7,226,017	-
Special Education Services	84.027	4,540	-
		7,230,557	
Handicapped Preschool Incentive Grant	84.173	266,036	-
Title IV-B:			
Vocational Education:			
Consumer and Homemaking	84.048	980,877	-
Substitute Teachers	84.048	751	-
		981,628	

CITY OF NORFOLK, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Schedule I

Federal Granting Agency/Recipient Recipient State Agency/Grant program	CFDA Number	Federal Expenditures	ARRA Expenditures
Special Projects:			
Drug Free Act	84.186	236,388	-
ESEA, Chapter II	84.298	1,990	-
McKinney Homeless Assistance	84.196	69,173	-
Enhancing Education with Tech Phase II	84.318	240,405	-
Enhancing Education with Tech	84.318	149,861	-
		390,266	
21st Century Community Learning Center	84.287	227,453	-
Reading First	84.357	1,024,901	-
Limited English	84.365	63,101	-
State Council of Higher Education	84.367	68,073	-
Teacher & Principal Training	84.367	2,185,078	-
		2,253,151	
Enhanced Reading Opportunity	84.215	853,142	-
ARRA - State Fiscal Stabilization Fund (Sheriff's Office)	84.397		5,426,397
Dept of Mental Health, Mental Retardation and Substance Abuse			
Mental Retardation Early Intervention	84.181	370,609	-
<u>Department of the Navy:</u>			
Direct Payments:			
USS Wisconsin Grant	12.700	277,342	-
Pass-Through Payments:			
NJROTC	12.000	255,832	-
Erate-Universal Service Funds	12.000	144,309	-
Medicaid - Special Education	12.000	929,717	-
		1,329,858	
<u>Department of Health and Human Services:</u>			
Direct Payments:			
HIV/AIDS Grant	93.914	4,916,974	-
Minority AIDS Initiative	93.914	461,729	-
		5,378,703	
NIC Pool Funds	99.000	425,202	-
Pass-Through Payments:			
Projects for Assistance in Transition to Homeless (PATH)	93.150	60,400	-
Youth & Family Services Grant	93.556	263,229	-
Temporary Assistance to Needy Families	93.558	3,749,639	-
Refugee and Entrant Assistance State Administered Prog	93.566	7,500	-
Local-Income Home Energy Assistance	93.568	206,638	-
Payments to States for Child Care Assistance	93.575	3,939,444	-
Child Development Care	93.596	3,010,510	-
Independent Living Program - Education and Training	93.599	18,927	-
Family Preservation	93.645	21,432	-
Foster Care - Title IV - E	93.658	2,933,713	-
ARRA - Foster Care - Title IV - E	93.658	-	173,024
Adoptive Assistance	93.659	687,478	-
ARRA - Adoptive Assistance	93.659	-	59,343
Social Services Block Grant	93.667	2,102,365	-
Independent Living Initiative Program	93.674	67,109	-
ARRA - Child Care and Development Block Grant	93.713	-	48,138
FAMIS Outreach Grants	93.767	321,168	-
Medical Assistance Program - Administrative	93.778	2,889,988	-

CITY OF NORFOLK, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Schedule I

Federal Granting Agency/Recipient Recipient State Agency/Grant program	<u>CFDA Number</u>	<u>Federal Expenditures</u>	<u>ARRA Expenditures</u>
Mental Health Federal Block Grant	93.958	146,278	-
Substance Abuse Federal Black Grant	93.959	1,830,907	-
MHS Emergency Fund	93.889	2,800	-
 <u>Other Federal Assistance:</u>			
Community Emergency Response Teams	N/A	13,792	-
Sheriff Social Security	N/A	10,800	-
Totals		<u>95,881,035</u>	<u>5,785,497</u>

CITY OF NORFOLK, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009

1. General

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of the City. The City of Norfolk single audit reporting entity includes the primary government and the School Board and Community Services Board component units.

Federal awards not received through direct programs 100% are passed through the departments and agencies of the Commonwealth of Virginia.

2. Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting. Expenditures are recorded when the liability is incurred or measurable. The related revenue is reported net of unexpended amounts returned to grantors.

3. Relationship to the Basic Financial Statements

Federal award revenue is reported in the City's basic financial statements as follows:

Governmental fund	\$ 30,432,258
Non-major governmental funds	15,511,585
Total revenues from federal government	<u>45,943,843</u>

Component Unit - School Board

Total Federal Grants Awarded	45,728,638	
Direct Payments:		
Navy Junior ROTC	255,832	
Erate - Universal Service Funds	144,309	
Medicaid	<u>929,717</u>	
Total - Norfolk Public Schools		47,058,496

Component Unit - Community Services Board	3,065,986
CSA Pool - Medicaid Adjustment	425,203
Enterprise - VRA Loan - WasteWater Fund	5,173,004

Total federal financial assistance reported in basic financial statements	<u><u>\$ 101,666,532</u></u>
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Reconciliation to Exhibit A-3

Revenues from federal government	\$ 45,943,843
Revenues from Commonwealth of Virginia	103,830,110
Total intergovernmental revenue	<u><u>\$ 149,773,953</u></u>

4. Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree substantially with the amounts reported in the federal financial reports except that certain federal financial reports are prepared on the cash basis of accounting and the schedule of expenditures of federal awards is prepared on the basis of accounting described in Note 2 above.

CITY OF NORFOLK, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009

5. Sub-recipients

Federal funds passed through to subrecipients for the year ended June 30, 2009 were as follows:

<u>Federal Granting Agency / Grant Program / Sub-recipient</u>	<u>Amount</u>	
Department of Housing and Urban Development		
<u>Community Development Block Grant:</u>		
St Columbia Ecumenical Ministries	\$ 38,462	
Food bank of Southeastern Virginia	39,675	
The Planning Council	55,529	
The Salvation Army	86,635	
Park Place School	26,173	
YMCA of South Hampton Roads	64,217	
William A Hunton YMCA	36,496	
Tidewater AIDS Community Task Force	16,531	
Oakmont Community Development	21,250	
Candii Program Inc	45,135	
Excellence Girls Club	15,206	
Ecumenical Family Shelter	18,000	
American Red Cross	40,000	
Joy Ministries Evangelistic Association	20,000	
National Institute for Learning Development	3,478	
International Black Women's Congress	35,867	
Urban League of Hampton Roads	24,379	
Child and Family Services of Eastern Virginia	38,785	
The STOP Organization	312,597	
Barrett Haven	9,877	
NRHA	3,599,370	
Total Community Development Block Grant		\$ 4,547,662
<u>NRHA - Homebuyer Assistance</u>		
NRHA		\$ 837,069
<u>Equity Secure - Rehabilitation</u>		
NRHA		\$ 514,659
<u>Home Program</u>		
NRHA		\$ 692,102
Total Department of Housing and Urban Development		\$ 6,591,492
Department of Justice		
<u>Juvenile Accountability Block Grant</u>		
Behavioral Intervention Incorporated		\$ 20,831
Total Department of Justice		\$ 20,831
Department of Health and Human Services		
<u>Temporary Assistance for Needy Families</u>		
Goodwill	396,137	
KRA	1,478,300	
Norfolk Community Services Board	134,764	
Virginia Tidewater Consortium	8,161	
Total Temporary Assistance for Needy Families		\$ 2,017,362
<u>Foster Care Title IV-E</u>		
Norfolk State University		\$ 637,971

CITY OF NORFOLK, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009

<u>Federal Granting Agency / Grant Program / Sub-recipient</u>	<u>Amount</u>
<u>Adoptive Assistance</u>	
Catholic Charities	\$ 3,038
<u>Program Improvement Plan</u>	
Community Solutions, Inc	\$ 9,570
<u>Payments to States for Child Care Assistance</u>	
The Planning Council	\$ 8,328
<u>Child Care and Development Block Grant</u>	
The Planning Council	\$ 305,419
<u>Promoting Safe and Stable Families</u>	
Family Systems II	47,448
Institute for Family Centered Services	57,453
Child and Family Services of Eastern Virginia	117,641
Total Promoting Safe and Stable Families	\$ 222,542
<u>Social Services Block Grant</u>	
Senior Services of Southeastern Virginia	\$ 786,596
<u>HIV/AIDS Grant</u>	
Bayview Pharmacy	261,230
EVMS - Center for Comprehensive Care Of Immune Deficiency	1,008,749
Community Psychological Group	118,265
ACCESS	602,581
Hampton / Newport News CSB	16,269
Health and Home Support Services	172,948
International Black Women's Congress	101,845
Norfolk Community Health Center	421,097
Peninsula Institute of Community Health	317,869
Portsmouth Community Health Center	241,668
Tidewater AIDS Community Task Force	680,943
Urban League of Hampton Roads	77,444
Virginia Beach Department of Health	70,671
Williamsburg AIDS Network	27,278
Total HIV/AIDS Grant	\$ 4,118,857
Total Department of Health and Human Services	\$ 8,109,683
Total Payment to Sub-Recipients	\$ 14,722,006

SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL –

~Special Revenue Funds~

~Internal Service Funds~

~Capital Projects Fund~



CITY OF NORFOLK, VIRGINIA

Exhibit J-1

**Schedule of Revenues and Expenditures - Budget and Actual
Towing Recovery Operation's Fund
For the Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:			
Use of money and property	\$ -	\$ 13,541	\$ 13,541
Charges for services	1,741,500	1,605,787	(135,713)
Miscellaneous	206,000	83,940	(122,060)
Total revenue	<u>\$ 1,947,500</u>	<u>\$ 1,703,268</u>	<u>\$ (244,232)</u>
Expenditures:			
Towing recovery	\$ 1,947,500	\$ 1,844,431	\$ 103,069
Total expenditures	<u>\$ 1,947,500</u>	<u>\$ 1,844,431</u>	<u>\$ 103,069</u>

**Schedule of Revenues and Expenditures - Budget and Actual
Storm Water Utility Fund
For the Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:			
Use of money and property	\$ 10,000	\$ 34,027	\$ 24,027
Charges for services	10,815,000	10,523,177	(291,823)
Total revenue	<u>\$ 10,825,000</u>	<u>\$ 10,557,204</u>	<u>\$ (267,796)</u>
Expenditures:			
Storm water	\$ 8,265,798	\$ 8,021,738	\$ 244,060
Transfer out	2,559,702	2,313,820	245,882
Total expenditures	<u>\$ 10,825,500</u>	<u>\$ 10,335,558</u>	<u>\$ 489,942</u>

CITY OF NORFOLK, VIRGINIA
Schedule of Revenues and Expenditures - Budget and Actual
Nauticus Fund
For the Year Ended June 30, 2009

Exhibit J-1

	Budget	Actual	Positive (Negative) Variance
Revenues:			
Charges for services	\$ 2,239,328	\$ 1,244,261	\$ (995,067)
Use of money and property	185,000	50,601	(134,399)
Intergovernmental - federal	-	277,342	277,342
Miscellaneous	133,000	107,457	(25,543)
Transfer in	2,437,772	2,437,772	-
Total revenue	<u>\$ 4,995,100</u>	<u>\$ 4,117,433</u>	<u>\$ (877,667)</u>
Expenditures:			
Operations	<u>\$ 4,995,100</u>	<u>\$ 4,130,492</u>	<u>\$ 864,608</u>

Schedule of Revenues and Expenditures - Budget and Actual
Maritime Facility Fund
For the Year Ended June 30, 2009

	Budget	Actual	Positive (Negative) Variance
Revenues:			
Charges for services	\$ 1,071,000	\$ 1,163,089	\$ 92,089
Use of money and property	275,000	207,466	(67,534)
Miscellaneous	15,000	-	(15,000)
Transfer in	1,753,600	215,191	(1,538,409)
Total revenue	<u>\$ 3,114,600</u>	<u>\$ 1,585,746</u>	<u>\$ (1,528,854)</u>
Expenditures:			
Operations	\$ 1,318,047	\$ 1,116,435	\$ 201,612
Debt service	1,796,553	1,068,151	728,402
Total expenditures	<u>\$ 3,114,600</u>	<u>\$ 2,184,586</u>	<u>\$ 930,014</u>

CITY OF NORFOLK, VIRGINIA
Schedule of Revenues and Expenditures - Budget and Actual
Golf Fund
For the Year Ended June 30, 2009

Exhibit J-1

	Budget	Actual	Positive (Negative) Variance
Revenues:			
Use of money and property	\$ 80,000	\$ 85,652	\$ 5,652
Charges for services	1,406,000	1,121,601	(284,399)
Transfer in	-	76,779	76,779
Total revenue	<u>\$ 1,486,000</u>	<u>\$ 1,284,032</u>	<u>\$ (201,968)</u>
Expenditures:			
Operations	\$ 1,486,000	\$ 1,514,387	\$ (28,387)
Total expenditures	<u>\$ 1,486,000</u>	<u>\$ 1,514,387</u>	<u>\$ (28,387)</u>

Schedule of Revenues and Expenditures - Budget and Actual
Emergency Operations Fund (EOC 911)
For the Year Ended June 30, 2009

	Budget	Actual	Positive (Negative) Variance
Revenues:			
Other local taxes	\$ 3,607,702	\$ 3,607,702	\$ -
Charges for services	1,000	1,920	920
Miscellaneous	1,223,085	1,225,502	2,417
Intergovernmental - federal	63,000	63,617	617
Rollover from last year	365,946	365,946	-
Transfer in	1,627,767	1,627,767	-
Total revenue	<u>\$ 6,888,500</u>	<u>\$ 6,892,454</u>	<u>\$ 3,954</u>
Expenditures:			
Operations	<u>\$ 6,888,500</u>	<u>\$ 6,981,496</u>	<u>\$ (92,996)</u>

CITY OF NORFOLK, VIRGINIA
Schedule of Revenues and Expenditures - Budget and Actual
Cemeteries Fund
For the Year Ended June 30, 2009

Exhibit J-1

	Budget	Actual	Positive (Negative) Variance
Revenues:			
Charges for services	\$ 1,694,344	\$ 1,196,018	\$ (498,326)
Transfer in	817,156	1,122,736	305,580
Total revenue	<u>\$ 2,511,500</u>	<u>\$ 2,318,754</u>	<u>\$ (192,746)</u>
Expenditures:			
Operations	<u>\$ 2,511,500</u>	<u>\$ 2,151,151</u>	<u>\$ 360,349</u>

Schedule of Revenues and Expenditures - Budget and Actual
Public Amenities Fund
For the Year Ended June 30, 2009

	Budget	Actual	Positive (Negative) Variance
Revenues:			
Taxes-Hotel & Restaurant	\$ 5,569,500	\$ 5,175,449	\$ (394,051)
Rollover from last year	1,860,919	1,860,919	-
Total revenue	<u>\$ 7,430,419</u>	<u>\$ 7,036,368</u>	<u>\$ (394,051)</u>
Expenditures:			
Transfer out	\$ 2,843,919	\$ 2,843,919	\$ -
Challenge Grants	517,000	517,000	-
Debt Service	575,814	211,250	364,564
All purpose	3,493,686	-	3,493,686
Total expenditures	<u>\$ 7,430,419</u>	<u>\$ 3,572,169</u>	<u>\$ 3,858,250</u>

CITY OF NORFOLK, VIRGINIA
Schedule of Revenues and Expenditures - Budget and Actual
Tax Increment Financing Fund
For the Year Ended June 30, 2009

Exhibit J-1

	Budget	Actual	Positive (Negative) Variance
Revenues:			
Taxes-real property	\$ 2,982,200	\$ 2,982,200	\$ -
Use of money and property	5,000	123	(4,877)
Rollover from last year	1,000,000	1,000,000	-
Total revenue	<u>\$ 3,987,200</u>	<u>\$ 3,982,323</u>	<u>\$ (4,877)</u>
Expenditures:			
Debt service	\$ 740,186	\$ 737,686	\$ 2,500
Transfer out	3,000,000	3,000,000	-
All-Purpose Appropriation	247,014	-	247,014
Total expenditures	<u>\$ 3,987,200</u>	<u>\$ 3,737,686</u>	<u>\$ 249,514</u>

Schedule of Revenues and Expenditures - Budget and Actual
Fleet Internal Service Fund
For the Year Ended June 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:			
Use of money and property	\$ 165,000	9,978	\$ (155,022)
Charges for services	12,438,600	10,557,671	(1,880,929)
Other-miscellaneous	70,000	101,374	31,374
Total revenue	<u>\$ 12,673,600</u>	<u>\$ 10,669,023</u>	<u>\$ (2,004,577)</u>
Expenditures:			
Fleet	<u>\$ 12,673,600</u>	<u>\$ 10,770,033</u>	<u>\$ 1,903,567</u>

Schedule of Revenues and Expenditures - Budget and Actual
Storehouse Internal Service Fund
For the Year Ended June 30, 2009

	<u>Budget</u>	<u>Actual *</u>	<u>Positive (Negative) Variance</u>
Revenues:			
Charges for services	\$ 603,900	\$ 601,099	\$ (2,801)
Use of money and property	1,000	74	(926)
	<u>\$ 604,900</u>	<u>\$ 601,173</u>	<u>\$ (3,727)</u>
Expenditures:			
Storehouse	<u>\$ 604,900</u>	<u>\$ 476,801</u>	<u>\$ 128,099</u>

**The difference in revenue and expenditures per this schedule compared to Exhibit H-2 represents cost of goods sold which is not included in the operating budget.*

CITY OF NORFOLK, VA
Capital Improvement Program
Schedule of Expenditures - Budget and Actual
From Inception and for the Year Ended June 30, 2009

	Expenditures				
	Project Budget	Prior Years	Current	Total	Available
Community Development					
Neighborhood Project Development	\$ 13,985,000	\$ 13,130,640	\$ 1,836	\$ 13,132,476	\$ 852,524
Neighborhood Conservation/Revitalization	63,607,000	41,170,597	9,217,902	50,388,499	13,218,501
Broad Creek Renaissance	13,813,000	10,107,598	989,399	11,096,997	2,716,003
Neighborhood Streets Improvements	5,293,000	4,532,606	-	4,532,606	760,394
Neighborhood commercial Improvements	12,352,000	9,784,406	277,853	10,062,259	2,289,741
Create Special Service Areas	500,000	-	-	-	500,000
Other	876,000	696,252	26,640	722,892	153,108
Community Development Total	110,426,000	79,422,099	10,513,630	89,935,729	20,490,271
Cultural Facilities					
Attucks Theatre Renovations	2,485,000	2,431,300	22,712	2,454,012	30,988
Scope Chiller Replacements	2,760,000	2,759,394	606	2,760,000	-
Scope Improvements	12,940,000	9,761,067	2,362,642	12,123,709	816,291
Chrysler Museum Improvements	6,420,000	4,338,406	167,657	4,506,063	1,913,937
Civic Building Improvements	1,805,000	1,300,667	49,722	1,350,389	454,611
Conference Center	61,915,000	13,188,346	1,586,459	14,774,805	47,140,195
Harrison Opera House Improvements	405,000	402,509	1,582	404,091	909
MacArthur Memorial Improvements	1,577,000	560,674	13,397	574,071	1,002,929
Wells Theater Improvements	225,000	224,989	11	225,000	-
Nauticus/Maritime Center Improvements	2,595,000	2,080,000	500,000	2,580,000	15,000
USS Wisconsin Improvements	3,755,999	678,946	408,936	1,087,882	2,668,117
Other	4,374,500	2,244,823	1,616,942	3,861,765	512,735
Cultural Facilities Total	101,257,499	39,971,121	6,730,666	46,701,787	54,555,712
Economic Development					
Disposition/Upgrade City Property	78,619,026	28,298,404	15,929,237	44,227,641	34,391,385
Nauticus Cruise Development	41,095,870	40,312,925	430,411	40,743,336	352,534
Huntersville Redevelopment	1,000,000	51,032	19,850	70,882	929,118
Wachovia Center Development	5,375,000	22,196	-	22,196	5,352,804
Kroc Center Development	4,040,000	2,677,500	5,400	2,682,900	1,357,100
Other	1,846,319	1,108,843	725,127	1,833,970	12,349
Economic Development Total	131,976,215	72,470,900	17,110,025	89,580,925	42,395,290
General/Other					
Campostella Landfill Closure	1,400,000	904,213	500,000	1,404,213	(4,213)
Beach Erosion Control	19,643,500	14,102,409	4,643,174	18,745,583	897,917
Transfer to Debt Service	1,741,232	2,360,655	887,415	3,248,070	(1,506,838)
IFMS - Financial System Implementation	2,898,904	2,837,965	3,416	2,841,381	57,523
Waterway Dredging Projects	4,860,000	2,603,676	576,470	3,180,146	1,679,854
Other	11,022,700	23,150,436	2,196,002	25,346,438	(14,323,738)
General/Other Total	41,566,336	45,959,354	8,806,477	54,765,831	(13,199,495)
Public Buildings and Facilities					
Fire Station Emergency Generation Program	1,384,622	1,263,057	-	1,263,057	121,565
Infrastructure Improvements	2,786,500	2,505,518	91,147	2,596,665	189,835
Public Health Center - Bio Med Facility	2,233,537	2,371,579	-	2,371,579	(138,042)
Detention Home Project	7,428,681	7,424,110	-	7,424,110	4,571
Annual Roof Maintenance	4,801,000	3,967,195	555,047	4,522,242	278,758
Library Facilities - Anchor Branch	10,476,238	10,281,513	10,826	10,292,339	183,899
Police Precinct Replacement	24,442,000	9,555,573	334,900	9,890,473	14,551,527
Courts Renovations	38,575,000	1,614,606	5,257,549	6,872,155	31,702,845
Jail Renovations	2,063,200	1,830,835	-	1,830,835	232,365
Selden Arcade Renovations	9,631,883	7,168,667	61,289	7,229,956	2,401,927
City Hall Building Renovations	5,190,000	2,615,254	822,818	3,438,072	1,751,928
Chrysler Museum Renovations	1,075,000	1,075,000	-	1,075,000	-
Tow Yard Acquisition	1,300,000	-	-	-	1,300,000
Fire Facilities Replacement/Improvements	993,000	324,001	283,557	607,558	385,442
Police Training Facilities	5,306,000	4,624,373	664,108	5,288,481	17,519
Library Facilities - Kirn Main Branch	9,248,000	7,215,000	368	7,215,368	2,032,632
Other	5,060,955	1,463,472	941,054	2,404,526	2,656,429
Public Buildings and Facilities Total	131,995,616	65,299,753	9,022,663	74,322,416	57,673,200

CITY OF NORFOLK, VA
Capital Improvement Program
Schedule of Expenditures - Budget and Actual
From Inception and for the Year Ended June 30, 2009

	Expenditures				
	Project Budget	Prior Years	Current	Total	Available
Parks/Recreational Facilities					
Zoo Master Plan	24,140,000	10,512,605	8,219,189	18,731,794	5,408,206
Titustown Recreation Center Improvements	3,550,000	3,208,961	-	3,208,961	341,039
Botanical Gardens	2,014,000	2,055,017	(17,610)	2,037,407	(23,407)
Existing Recreation Center Improvements	8,927,850	4,830,707	2,018,019	6,848,726	2,079,124
Norview Recreation Center	7,949,500	6,327,887	1,118,227	7,446,114	503,386
Lambert's Point Golf Course	9,588,300	9,187,758	543	9,188,301	399,999
Lambert's Point Community & Recreational C	7,667,000	639,835	4,350,750	4,990,585	2,676,415
Harbor Park Improvements	1,050,000	700,000	140,327	840,327	209,673
Athletic Field Renovations	1,984,000	983,418	334,934	1,318,352	665,648
Norfolk Fitness & Wellness Center Renovati	673,670	661,988	10	661,998	11,672
Broadcreek & Westside Neighborhood Parks	2,616,000	1,466,559	619,400	2,085,959	530,041
Town Point Park Improvements	11,525,000	1,130,402	10,028,177	11,158,579	366,421
Martin Luther King Park	123,000	116,020	-	116,020	6,980
Waterside Waterfront Renovations	587,500	46,100	76,840	122,940	464,560
Ingleside Gymnasium	121,000	-	-	-	121,000
Other	9,895,050	1,013,966	434,251	1,448,217	8,446,833
Parks/Recreational Facilities Total	92,411,870	42,881,223	27,323,057	70,204,280	22,207,590
Schools					
Norfolk Public School Allocation	1,596,813	1,596,813	-	1,596,813	-
Project Design Phase	5,757,830	5,757,830	-	5,757,830	-
Blair Middle School Replacement	7,071,710	7,037,710	-	7,037,710	34,000
Norfolk Public School Construction	5,698,631	3,175,025	11,234	3,186,259	2,512,372
Norfolk Public School Initiative	5,265,000	4,504,128	759,328	5,263,456	1,544
Norview Construction	26,679,400	26,679,399	-	26,679,399	1
Southside Middle School	2,250,000	-	-	-	2,250,000
High School Athletic Field	1,500,000	1,421,734	84,413	1,506,147	(6,147)
Coleman Place Elementary Replacement	21,567,641	19,795,320	313,170	20,108,490	1,459,151
Crossroads Elementary Replacement	4,648,525	-	41,060	41,060	4,607,465
Other	6,924,324	3,140,268	1,998,067	5,138,335	1,785,989
Schools Total	88,959,874	73,108,227	3,207,272	76,315,499	12,644,375
Storm Water					
Storm Water Quality Improvements	8,355,000	4,838,242	1,655,663	6,493,905	1,861,095
Storm Water Facility Improvements	1,650,000	823,105	458,454	1,281,559	368,441
Old Dominion University Master Plan	514,000	503,766	-	503,766	10,234
Drain Line Clean & Slip Lining	2,812,267	2,734,321	2,436	2,736,757	75,510
Neighborhood Flood Reduction	6,866,000	2,776,756	2,055,170	4,831,926	2,034,074
Bulkheading Master Project	3,278,733	2,934,197	-	2,934,197	344,536
Pump Station Improvements	100,000	100,000	-	100,000	-
Other	500,000	4,000	-	4,000	496,000
Storm Water Total	24,076,000	14,714,387	4,171,723	18,886,110	5,189,890
Transportation					
Old Dominion University Master Plan	8,528,600	8,547,864	-	8,547,864	(19,264)
VDOT Urban Support Program	9,950,702	7,485,359	60,915	7,546,274	2,404,428
Bridge Maintenance & Repair Program	20,044,351	13,596,084	2,831,951	16,428,035	3,616,316
Signal & Intersection Enhancements	10,303,500	7,067,932	580,378	7,648,310	2,655,190
Citywide Soundwall Program	9,036,260	3,310,906	3,501,460	6,812,366	2,223,894
Neighborhood Streets Improvements	45,800,666	21,410,247	5,082,059	26,492,306	19,308,360
Atlantic City Development	12,739,200	7,981,849	377,845	8,359,694	4,379,506
Citywide Boat Ramp Improvements	1,944,250	1,918,314	5,098	1,923,412	20,838
Other	14,585,000	2,590,012	5,044,090	7,634,102	6,950,898
Transportation Total	132,932,529	73,908,567	17,483,796	91,392,363	41,540,166
Grand Total	\$ 855,601,939	\$ 507,735,631	\$ 104,369,309	\$ 612,104,940	\$ 243,496,999

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APPENDIX B

FORMS OF LEGAL OPINIONS OF BOND COUNSEL

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Appendix B

Form of Bond Counsel Opinion 2010E Bonds

Set forth below is the proposed form of the opinion of McGuireWoods LLP, Bond Counsel. It is preliminary and subject to change prior to the delivery of the Bonds.

[Letterhead of McGuireWoods LLP]

February __, 2010

Mayor and Council of the
City of Norfolk, Virginia
Norfolk, Virginia

**City of Norfolk, Virginia
\$5,000,000 General Obligation Capital Improvement Bonds,
Series 2010E (Tax-Exempt – Recovery Zone Facility Bonds)**

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the issuance and sale by the City of Norfolk, Virginia (the "City") of its \$5,000,000 General Obligation Capital Improvement Bonds, Series 2010E (Tax-Exempt – Recovery Zone Facility Bonds) (the "Bonds"), dated the date of their delivery.

In connection with this opinion, we have examined the Constitution of Virginia and the applicable laws of both the United States and the Commonwealth of Virginia, including without limitation the Internal Revenue Code of 1986, as amended (the "Code"), and the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia of 1950, as amended, and copies of proceedings and other documents relating to the issuance and sale of the Bonds by the City as we have deemed necessary to render the opinions contained herein.

As to questions of fact material to our opinions, we have relied upon (a) representations of the City, including, without limitation, representations as to the use of proceeds of the Bonds, (b) certifications of public officials furnished to us, and (c) certifications and representations contained in certificates of the City and others delivered at closing, without undertaking to verify them by independent investigation. We have assumed that all signatures on documents, certificates, and instruments examined by us are genuine, all documents, certificates, and instruments submitted to us as originals are authentic, and all documents, certificates, and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates, and instruments relating to this financing have been duly

authorized, executed, and delivered by all parties to them other than the City, and we have further assumed the due organization, existence, and powers of all parties other than the City.

Based on the foregoing, in our opinion, under current law:

1. The Bonds have been authorized and issued in accordance with the Constitution and laws of the Commonwealth of Virginia and constitute valid and binding general obligations of the City.

2. The Council of the City has the power and is authorized and required by law to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of and premium, if any, and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

3. Interest on the Bonds, including any accrued "original issue discount" properly allocable to the owners of the Bonds, (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Code, (ii) is not a specific item of tax preference for purposes of the federal alternative minimum income tax imposed on individuals and corporations, and (iii) is excluded from adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes) under Section 56 of the Code. The "original issue discount" on any Bond is the excess of its stated redemption price at maturity over the initial offering price to the public at which price a substantial amount of the Bonds of the same maturity was sold. The "public" does not include bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. We express no opinion regarding other federal tax consequences arising with respect to the Bonds, including as to whether interest on any portion of the Bonds is excluded from the adjusted current earnings of corporations for purposes of computing the alternative minimum tax imposed on corporations.

In delivering this opinion, we are (i) relying upon and assuming the accuracy of certifications and representations of representatives of the City as to facts material to the opinion, and (ii) assuming continuing compliance with the Covenants (as defined below) by the City, so that interest on the Bonds will remain excludable from gross income for federal income tax purposes. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed or refinanced by the Bonds, limitations on the source of the payment of and the security for the

Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Treasury. The City's tax certificate for the Bonds (the "Tax Certificate") contains covenants (the "Covenants") under which the City has agreed to comply with such requirements. Failure by the City to comply with the Covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for federal income tax purposes.

We have no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificate, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such document.

4. Interest on the Bonds is excludable from gross income of the owners thereof for purposes of income taxation by the Commonwealth of Virginia. We express no opinion regarding (i) other Virginia tax consequences arising with respect to the Bonds or (ii) any consequences arising with respect to the Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth of Virginia.

Our services as Bond Counsel have been limited to rendering the foregoing opinion based on our review of such legal proceedings as we deem necessary to approve the validity of the Bonds and the income tax status of the interest on them. We express no opinion as to the accuracy, completeness or sufficiency of the Official Statement for the Bonds or any other offering material or information that may have been relied upon by any owner of the Bonds in making a decision to purchase the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

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Appendix B

Form of Bond Counsel Opinion 2010F Bonds

Set forth below is the proposed form of the opinion of McGuireWoods LLP, Bond Counsel. It is preliminary and subject to change prior to the delivery of the Bonds.

[Letterhead of McGuireWoods LLP]

February __, 2010

Mayor and Council of the
City of Norfolk, Virginia
Norfolk, Virginia

**City of Norfolk, Virginia
\$5,000,000 General Obligation Capital Improvement Bonds,
Series 2010F (Taxable-Recovery Zone Economic Development Bonds)**

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the issuance and sale by the City of Norfolk, Virginia (the "City") of its \$5,000,000 General Obligation Capital Improvement Bonds, Series 2010F (Taxable-Recovery Zone Economic Development Bonds) (the "Bonds"), dated the date of their delivery.

In connection with this opinion, we have examined the Constitution of Virginia and the applicable laws of both the United States and the Commonwealth of Virginia, including without limitation the Internal Revenue Code of 1986, as amended (the "Code"), and the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia of 1950, as amended, and copies of proceedings and other documents relating to the issuance and sale of the Bonds by the City as we have deemed necessary to render the opinions contained herein.

As to questions of fact material to our opinions, we have relied upon certifications and representations contained in certificates of the City and others delivered at closing, without undertaking to verify them by independent investigation. We have assumed that all signatures on documents, certificates, and instruments examined by us are genuine, all documents, certificates, and instruments submitted to us as originals are authentic, and all documents, certificates, and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates, and instruments relating to this financing have been duly authorized, executed, and delivered by all parties to them other than the City, and we have further assumed the due organization, existence, and powers of all parties other than the City.

Based on the foregoing, in our opinion, under current law:

1. The Bonds have been authorized and issued in accordance with the Constitution and laws of the Commonwealth of Virginia and constitute valid and binding general obligations of the City.

2. The Council of the City has the power and is authorized and required by law to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of and premium, if any, and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

3. Interest on the Bonds is includable in the gross income of the owners thereof for purposes of federal income taxation. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

4. Interest on the Bonds is excludable from gross income of the owners thereof for purposes of income taxation by the Commonwealth of Virginia. We express no opinion regarding (i) other Virginia tax consequences arising with respect to the Bonds or (ii) any consequences arising with respect to the Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth of Virginia.

5. Internal Revenue Service regulations require us to advise you that, unless otherwise specifically noted, any federal tax advice in this communication (including any attachments, enclosures, or other accompanying materials) was not intended or written to be used, and it cannot be used, by any taxpayer for the purpose of avoiding penalties that the Internal Revenue Service may impose on the taxpayer. This opinion is provided to support the promotion or marketing of the Bonds.

Our services as Bond Counsel have been limited to rendering the foregoing opinion based on our review of such legal proceedings as we deem necessary to approve the validity of the Bonds and the income tax status of the interest on them. We express no opinion as to the accuracy, completeness or sufficiency of the Official Statement for the Bonds or any other offering material or information that may have been relied upon by any owner of the Bonds in making a decision to purchase the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

APPENDIX C

FORMS OF CONTINUING DISCLOSURE AGREEMENTS

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the City of Norfolk, Virginia (the "City") in connection with the issuance by the City of \$5,000,000 original aggregate principal amount of its General Obligation Capital Improvement Bonds, Series 2010E (Tax-Exempt – Recovery Zone Facility Bonds) (the "Bonds") pursuant to a bond ordinance adopted by the Council of the City on December 8, 2009 (the "Ordinance"). The proceeds of the Bonds are being used by the City, along with other available funds, to (i) finance the City's Capital Improvement Program, as the Council may amend it from time to time hereafter; and (ii) pay the costs incurred in connection with the issuance of the Bonds. Pursuant to the Ordinance, the City approved the offering and sale of the Bonds to the public pursuant to an Official Statement relating to the Bonds, dated February 10, 2010 (the "Final Official Statement"). The City has determined that it constitutes an "obligated person" within the meaning of the Rule (as hereinafter defined) with respect to the Bonds and, accordingly, hereby represents, covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement; Representation. This Disclosure Agreement is being executed and delivered by the City for the benefit of the Holders (as defined below) and in order to assist the Participating Underwriters (as defined below) in complying with the Rule (as defined below). The City acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures that may be required under this Disclosure Agreement.

Section 2. Definitions. In addition to the definitions set forth in the Ordinance, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Financial Information" with respect to any Fiscal Year of the City means the following:

(i) the financial statements (consisting of at least a statement of net assets, a statement of cash flows and a statement of revenues, expenses and changes in fund net assets for all governmental/enterprise funds) of the City, which (A) are prepared annually in accordance with generally accepted accounting principles in effect from time to time consistently applied (provided that nothing in this clause (A) will prohibit the City after the date of the Final Official Statement from changing such principles so as to comply with generally accepted accounting principles as then in effect or to comply with a change in applicable Virginia law); and (B) are audited by an independent certified public accountant or firm of such accountants in accordance with generally accepted auditing standards as in effect from time to time; and

(ii) updates of the operating data contained in the sections in the Final Official Statement "Table II-3, Key Debt Trends," "Table II-6, Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita," "Table III-2, Assessed Valuations and Estimated Actual Values of Taxable Property," "Table III-4, Tax Rates and Equalization Factors," "Table III-6, Real and Personal Property Tax Levies and Collections," "Table III-7, Ten Principal Real Property Taxpayers" and "Table III-14, Comparative Statement of Revenue and Expenditures, General Fund."

"Dissemination Agent" shall mean the City, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"Fiscal Year" shall mean the twelve-month period, at the end of which the financial position of the City and results of its operations for such period are determined. Currently, the City's Fiscal Year begins July 1 and continues through June 30 of the next year.

"Holder" shall mean, for purposes of this Disclosure Agreement, any person who is a record owner or beneficial owner of an Obligation.

"Make Public" or "Made Public" has the meaning set forth in Section 4 of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of such Bonds.

"Rule" shall mean Rule 15c2-12 under the Securities Exchange Act of 1934 and any similar rules of the SEC relating to disclosure requirements in the offering and sale of municipal securities, all as in effect from time to time.

"SEC" shall mean the U.S. Securities and Exchange Commission.

Section 3. Obligations of the City. (a) The City shall complete the preparation of the Annual Financial Information with respect to any Fiscal Year of the City not later than 270 days after the end of such Fiscal Year.

(b) The City shall, in accordance with the Rule, Make Public or cause to be Made Public by the Dissemination Agent (if different from the City), the Annual Financial Information within 30 days after it is prepared.

(c) The City shall Make Public or cause to be Made Public by the Dissemination Agent (if different from the City), in a timely manner, notice of any of the following events that may from time to time occur with respect to the Bonds, but with respect to the items in (i) through (xi), only if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on any credit enhancement maintained with respect to the Bonds reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;

- (vi) adverse tax opinions or events affecting the tax-exempt status of interest on the Bonds;
- (vii) modifications to rights of Holders;
- (viii) bond calls;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds;
- (xi) rating changes; and
- (xii) the failure of the City on or before the date required by this Disclosure Agreement to provide Annual Financial Information to the persons and in the manner required by this Disclosure Agreement;

provided that nothing in this subsection (c) shall require the City to maintain any debt service reserve, credit enhancement or credit or liquidity providers with respect to the Bonds or to pledge any property as security for repayment of the Bonds.

Section 4. Information Made Public. Information shall be deemed to have been "Made Public" for purposes of this Disclosure Agreement if transmitted to the MSRB, in an electronic format as prescribed by the MSRB. Should the SEC approve any additional or subsequent filing system for satisfying the continuing disclosure filing requirements of the Rule, any filings required under this Disclosure Agreement may be made by transmitting such filing to such system, as described in the applicable SEC regulation or release approving such filing system.

Section 5. Incorporation by Reference. Any or all of the Annual Financial Information may be incorporated by specific reference from other documents, including official statements containing information with respect to the City, which are available to the public on the internet website of the MSRB or filed with the SEC. The City shall clearly identify each such other document so incorporated by reference.

Section 6. CUSIP Numbers. The City shall reference, or cause the Dissemination Agent (if different from the City) to reference, the CUSIP prefix number for the Bonds in any notice provided to the MSRB pursuant to Sections 3 and 4.

Section 7. Termination of Reporting Obligation. The obligations of the City under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance or final retirement of the Bonds.

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent.

Section 9. Identifying Information. All documents provided to the MSRB hereunder shall be accompanied by identifying information as prescribed by the MSRB.

Section 10. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement, if such amendment is supported by an opinion of independent counsel with expertise in federal securities laws addressed to the City and to the Participating Underwriters for the Bonds to the effect that such amendment is permitted or required by the Rule.

Section 11. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of an event listed in Section 3(c), in addition to that which is required by this Disclosure Agreement. If the City chooses to report any information in any Annual Financial Information or include any information in a notice of occurrence of an event listed in Section 3(c), in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Financial Information or notice of occurrence of such an event.

Section 12. Default. Any Holder, whether acting jointly or severally, may take such action as may be permitted by law against the appropriate public official to secure compliance with the obligations of the City under this Disclosure Agreement. In addition, any Holder, whether acting jointly or severally, may take such action as may be permitted by law to challenge the adequacy of any information provided pursuant to this Disclosure Agreement, or to enforce any other obligation of the City hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under the Ordinance or other debt authorization of the City, and the sole remedy under this Disclosure Agreement in the event of any failure of the City to comply herewith shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any Holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

Section 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Participating Underwriters and Holders from time to time of the City's Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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Date: February __, 2010

CITY OF NORFOLK, VIRGINIA

By: _____
City Manager,
City of Norfolk, Virginia

By: _____
Director of Finance,
City of Norfolk, Virginia

Approved as to Form and Correctness:

Office of City Attorney
City of Norfolk, Virginia

[Signature Page to Continuing Disclosure Agreement]

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Date: February __, 2010

CITY OF NORFOLK, VIRGINIA

By: _____
City Manager,
City of Norfolk, Virginia

By: _____
Director of Finance,
City of Norfolk, Virginia

Approved as to Form and Correctness:

Office of City Attorney
City of Norfolk, Virginia

[Signature Page to Continuing Disclosure Agreement]

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